

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**



Dave Yost • Auditor of State

Village Council
Village of Mt. Orab
142 North Main Street
Mt. Orab, Ohio 45154

We have reviewed the Independent Auditors' Report of the Village of Mt. Orab, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2010 to December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Independent Auditors' Report on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The Independent Auditors' Report also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mt. Orab is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

November 27, 2012

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**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Village Council
Village of Mt. Orab, Brown County, Ohio

We have audited the accompanying financial statements of the Village of Mt. Orab, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 27, 2012

**VILLAGE OF MT ORAB
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| <i>Cash Receipts:</i> | | | | | |
| Property and Local Taxes | \$ 56,607 | \$ 268,832 | \$ - | \$ - | \$ 325,439 |
| Municipal Income Tax | 901,418 | - | - | - | 901,418 |
| Intergovernmental | 59,961 | 228,134 | 51,637 | - | 339,732 |
| Special Assessments | - | - | 69,064 | - | 69,064 |
| Payments in Lieu of Taxes | - | 548,131 | - | - | 548,131 |
| Charges for Services | 53 | 579,577 | - | - | 579,630 |
| Fines, Licenses and Permits | 161,314 | 5,625 | - | 12,025 | 178,964 |
| Earnings on Investments | 34,380 | 287 | - | - | 34,667 |
| Miscellaneous | 1,586 | 301 | - | - | 1,887 |
| Total Cash Receipts | 1,215,319 | 1,630,887 | 120,701 | 12,025 | 2,978,932 |
| <i>Cash Disbursements:</i> | | | | | |
| Current: | | | | | |
| General Government | 236,008 | 103,749 | 244 | - | 340,001 |
| Security of Person and Property | 688,904 | 771,930 | - | 1,243,041 | 2,703,875 |
| Leisure Time Activities | 37,849 | 9,453 | - | 97,579 | 144,881 |
| Community Environment | 56,972 | - | - | - | 56,972 |
| Human Services | 6,103 | - | - | - | 6,103 |
| Transportation | 336,419 | 183,296 | - | 602,516 | 1,122,231 |
| Capital Outlay | - | - | - | 91,045 | 91,045 |
| Debt Service: | | | | | |
| Redemption of Principal | - | 69,128 | 2,325,982 | - | 2,395,110 |
| Interest and Fiscal Charges | 12,710 | 42,088 | 200,503 | - | 255,301 |
| Total Cash Disbursements | 1,374,965 | 1,179,644 | 2,526,729 | 2,034,181 | 7,115,519 |
| Receipts Over (Under) Disbursements | (159,646) | 451,243 | (2,406,028) | (2,022,156) | (4,136,587) |
| <i>Other Financing Receipts (Disbursements):</i> | | | | | |
| Proceeds from OPWC and OWDA Loans | - | - | - | 376,841 | 376,841 |
| Proceeds from Notes and Bonds | 48,400 | - | 2,100,000 | 885,400 | 3,033,800 |
| Bond Issuance Costs | - | - | (37,997) | - | (37,997) |
| Transfers-In | - | - | 351,023 | - | 351,023 |
| Transfers-Out | - | (351,023) | - | - | (351,023) |
| Advances-In | - | 10,000 | - | - | 10,000 |
| Advances-Out | (10,000) | - | - | - | (10,000) |
| Total Other Financing Receipts (Disbursements) | 38,400 | (341,023) | 2,413,026 | 1,262,241 | 3,372,644 |
| Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements | (121,246) | 110,220 | 6,998 | (759,915) | (763,943) |
| Fund Cash Balances, January 1 | 298,532 | 540,680 | 161,976 | 1,813,746 | 2,814,934 |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | - | 650,900 | 168,974 | 1,053,831 | 1,873,705 |
| Unassigned | 177,286 | - | - | - | 177,286 |
| Fund Cash Balances, December 31 | \$ 177,286 | \$ 650,900 | \$ 168,974 | \$ 1,053,831 | \$ 2,050,991 |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT ORAB
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Proprietary Fund Types | | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|------------------------|---------------------|-------------------------|--------------------------------|
| | Enterprise | Internal Service | Agency | |
| <i>Operating Cash Receipts:</i> | | | | |
| Charges for Services | \$ 2,091,772 | \$ - | \$ - | \$ 2,091,772 |
| Miscellaneous | 5,106 | - | - | 5,106 |
| Total Operating Cash Receipts | <u>2,096,878</u> | <u>-</u> | <u>-</u> | <u>2,096,878</u> |
| <i>Operating Cash Disbursements:</i> | | | | |
| Personal Services | 317,299 | - | - | 317,299 |
| Fringe Benefits | 119,522 | 3,594 | - | 123,116 |
| Contractual Services | 891,417 | - | - | 891,417 |
| Materials and Supplies | 226,171 | - | - | 226,171 |
| Total Operating Cash Disbursements | <u>1,554,409</u> | <u>3,594</u> | <u>-</u> | <u>1,558,003</u> |
| Operating Income | <u>542,469</u> | <u>(3,594)</u> | <u>-</u> | <u>538,875</u> |
| <i>Non-Operating Cash Receipts:</i> | | | | |
| Proceeds from OPWC and OWDA Loans | 202,326 | - | - | 202,326 |
| Other Non-Operating Receipts | - | 146 | 205,044 | 205,190 |
| Total Non-Operating Cash Receipts | <u>202,326</u> | <u>146</u> | <u>205,044</u> | <u>407,516</u> |
| <i>Non-Operating Cash Disbursements:</i> | | | | |
| Redemption of Principal | 436,221 | - | - | 436,221 |
| Interest and Other Fiscal Charges | 139,516 | - | - | 139,516 |
| Capital Outlay | 197,553 | - | - | 197,553 |
| Other Non-Operating Disbursements | - | - | 204,706 | 204,706 |
| Total Non-Operating Cash Disbursements | <u>773,290</u> | <u>-</u> | <u>204,706</u> | <u>977,996</u> |
| Excess of Receipts Over Disbursements Before Transfers and Advances | (28,495) | (3,448) | 338 | (31,605) |
| Transfers-In | 249,600 | - | - | 249,600 |
| Transfers-Out | <u>(249,600)</u> | <u>-</u> | <u>-</u> | <u>(249,600)</u> |
| Net Receipts Over (Under) Disbursements | (28,495) | (3,448) | 338 | (31,605) |
| Fund Cash Balances, January 1 | <u>555,020</u> | <u>145,828</u> | <u>5,049</u> | <u>705,897</u> |
| Fund Cash Balances, December 31 | <u>\$ 526,525</u> | <u>\$ 142,380</u> | <u>\$ 5,387</u> | <u>\$ 674,292</u> |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT ORAB
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| <i>Cash Receipts:</i> | | | | | |
| Property and Local Taxes | \$ 65,063 | \$ 252,031 | \$ - | \$ - | \$ 317,094 |
| Municipal Income Tax | 837,141 | - | - | - | 837,141 |
| Intergovernmental | 59,024 | 270,968 | - | 340,000 | 669,992 |
| Special Assessments | - | - | 80,224 | - | 80,224 |
| Payments in Lieu of Taxes | - | 492,827 | - | - | 492,827 |
| Charges for Services | 228 | 480,205 | - | - | 480,433 |
| Fines, Licenses and Permits | 158,540 | 4,739 | - | 12,908 | 176,187 |
| Earnings on Investments | 22,596 | 356 | - | - | 22,952 |
| Miscellaneous | 304 | 960 | - | - | 1,264 |
| Total Cash Receipts | 1,142,896 | 1,502,086 | 80,224 | 352,908 | 3,078,114 |
| <i>Cash Disbursements:</i> | | | | | |
| Current: | | | | | |
| General Government | 235,356 | 91,975 | 479 | 21,988 | 349,798 |
| Security of Person and Property | 707,921 | 870,273 | - | 495,250 | 2,073,444 |
| Leisure Time Activities | 12,367 | 23,368 | - | 4,791 | 40,526 |
| Community Environment | 47,747 | - | - | - | 47,747 |
| Human Services | 10,421 | - | - | - | 10,421 |
| Transportation | 173,578 | 266,639 | - | 1,310,363 | 1,750,580 |
| Capital Outlay | - | 360 | - | 767,200 | 767,560 |
| Debt Service: | | | | | |
| Redemption of Principal | - | 74,639 | 6,892,906 | - | 6,967,545 |
| Interest and Fiscal Charges | - | 105,593 | 42,394 | - | 147,987 |
| Total Cash Disbursements | 1,187,390 | 1,432,847 | 6,935,779 | 2,599,592 | 12,155,608 |
| Receipts Over (Under) Disbursements | (44,494) | 69,239 | (6,855,555) | (2,246,684) | (9,077,494) |
| <i>Other Financing Receipts (Disbursements):</i> | | | | | |
| Proceeds from OPWC and OWDA Loans | - | - | - | 412,868 | 412,868 |
| Proceeds from Notes and Bonds | - | - | 6,650,609 | 3,258,000 | 9,908,609 |
| Bond Issuance Costs | - | - | - | (57,462) | (57,462) |
| Proceeds from Sale of Fixed Assets | 24,796 | 2,452 | - | - | 27,248 |
| Transfers-In | - | 2,913 | 144,000 | - | 146,913 |
| Transfers-Out | (2,913) | (144,000) | - | - | (146,913) |
| Advances-Out | (10,000) | - | - | - | (10,000) |
| Total Other Financing Receipts (Disbursements) | 11,883 | (138,635) | 6,794,609 | 3,613,406 | 10,281,263 |
| Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements | (32,611) | (69,396) | (60,946) | 1,366,722 | 1,203,769 |
| Fund Cash Balances, January 1 | 331,143 | 610,076 | 222,922 | 447,024 | 1,611,165 |
| Fund Cash Balances, December 31 | <u>\$ 298,532</u> | <u>\$ 540,680</u> | <u>\$ 161,976</u> | <u>\$ 1,813,746</u> | <u>\$ 2,814,934</u> |

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MT ORAB
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Proprietary Fund Types | | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|------------------------|---------------------|-------------------------|--------------------------------|
| | Enterprise | Internal Service | Agency | |
| <i>Operating Cash Receipts:</i> | | | | |
| Charges for Services | \$ 2,082,974 | \$ - | \$ - | \$ 2,082,974 |
| Miscellaneous | 12,271 | - | - | 12,271 |
| Total Operating Cash Receipts | <u>2,095,245</u> | <u>-</u> | <u>-</u> | <u>2,095,245</u> |
| <i>Operating Cash Disbursements:</i> | | | | |
| Personal Services | 326,132 | - | - | 326,132 |
| Fringe Benefits | 125,654 | 3,818 | - | 129,472 |
| Contractual Services | 873,380 | - | - | 873,380 |
| Materials and Supplies | 223,005 | - | - | 223,005 |
| Total Operating Cash Disbursements | <u>1,548,171</u> | <u>3,818</u> | <u>-</u> | <u>1,551,989</u> |
| Operating Income | <u>547,074</u> | <u>(3,818)</u> | <u>-</u> | <u>543,256</u> |
| <i>Non-Operating Cash Receipts:</i> | | | | |
| Proceeds from OPWC and OWDA Loans | 61,350 | - | - | 61,350 |
| Proceeds from Notes and Bonds | 1,058,391 | - | - | 1,058,391 |
| Other Non-Operating Receipts | - | - | 212,261 | 212,261 |
| Total Non-Operating Cash Receipts | <u>1,119,741</u> | <u>-</u> | <u>212,261</u> | <u>1,332,002</u> |
| <i>Non-Operating Cash Disbursements:</i> | | | | |
| Redemption of Principal | 403,149 | - | - | 403,149 |
| Deposits to Escrow to Defeas Debt | 901,570 | - | - | 901,570 |
| Deposits to Debt Trust Accounts | 75,750 | - | - | 75,750 |
| Bond Issuance Costs | 70,880 | - | - | 70,880 |
| Interest and Other Fiscal Charges | 127,618 | - | - | 127,618 |
| Capital Outlay | 58,305 | - | - | 58,305 |
| Other Non-Operating Disbursements | - | - | 207,651 | 207,651 |
| Total Non-Operating Cash Disbursements | <u>1,637,272</u> | <u>-</u> | <u>207,651</u> | <u>1,844,923</u> |
| Excess of Receipts Over Disbursements | | | | |
| Before Transfers and Advances | 29,543 | (3,818) | 4,610 | 30,335 |
| Transfers-In | 249,600 | - | - | 249,600 |
| Advances-In | 10,000 | - | - | 10,000 |
| Transfers-Out | <u>(249,600)</u> | <u>-</u> | <u>-</u> | <u>(249,600)</u> |
| Net Receipts Over (Under) Disbursements | 39,543 | (3,818) | 4,610 | 40,335 |
| Fund Cash Balances, January 1 | <u>515,477</u> | <u>149,646</u> | <u>439</u> | <u>665,562</u> |
| Fund Cash Balances, December 31 | <u>\$ 555,020</u> | <u>\$ 145,828</u> | <u>\$ 5,049</u> | <u>\$ 705,897</u> |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mt. Orab, Brown County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, public safety, fire and EMS services, recreation, street maintenance, water and sewer utilities, and garbage services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable except the financial statements do not include debt service funds external custodians maintain. Note 11 to the financial statement describes these assets.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

STAR Ohio is recorded at share values reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Police Levy Fund - This fund receives local taxes for the purpose of providing police protection services for the security of persons and property.

Fire Levy Fund - This fund receives local taxes for the purpose of providing fire protection services.

TIF District 4-40 Fund - This fund receives proceeds from 30 year tax incremental funding agreements. The Village retains 80 percent for debt service and 20 percent is paid to other taxing entities.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

TIF Apple Street West Note Fund - This fund is for making payments of principal and interest on notes, and receives note proceeds for funding ongoing street improvement projects within the tax incremental funding districts of the Village.

TIF Infrastructure Bond Fund - This fund is for making payments of principal and interest on bonds, and receives bond proceeds for funding ongoing infrastructure projects within the tax incremental funding districts of the Village.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Recovery Zone Bonds Firehouse Fund - This fund receives debt proceeds for the funding of improvements to the Firehouse.

5. Proprietary Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following Proprietary Fund types:

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

Enterprise Funds

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing water services.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing sewer services.

Waste Collection Operating Fund - This fund receives charges for services from residents to cover the cost of providing waste collection services.

Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency of the Village on a cost-reimbursement basis. The Village had the following Internal Service Fund:

Health Reimbursement Fund - This fund is used to account for the costs associated with the employee health insurance plan for the Village.

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

Mayor's Court Fund - This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds collected in part are on behalf of the State of Ohio.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as **non-spendable** when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by state statute.

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

| | 2011 | 2010 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$1,922,092 | \$2,722,000 |
| Certificates of Deposit | 655,379 | 651,103 |
| Total deposits | 2,577,471 | 3,373,103 |
| Star Ohio | 147,812 | 147,728 |
| Total investments | 147,812 | 147,728 |
| Total deposits and investments | \$2,725,283 | \$3,520,831 |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 1,256,551 | \$ 1,263,719 | \$ 7,168 |
| Special Revenue | 1,631,176 | 1,640,887 | 9,711 |
| Debt Service | 2,571,724 | 2,571,724 | - |
| Capital Projects | 1,274,266 | 1,274,266 | - |
| Enterprise | 2,515,729 | 2,548,804 | 33,075 |
| Internal Service | 2 | 146 | 144 |
| Total | \$ 9,249,448 | \$ 9,299,546 | \$ 50,098 |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 1,512,127 | \$ 1,384,965 | \$ 127,162 |
| Special Revenue | 1,850,041 | 1,530,667 | 319,374 |
| Debt Service | 2,619,958 | 2,564,726 | 55,232 |
| Capital Projects | 3,086,429 | 2,034,181 | 1,052,248 |
| Enterprise | 3,605,326 | 2,577,299 | 1,028,027 |
| Internal Service | 40,000 | 3,594 | 36,406 |
| Total | \$ 12,713,881 | \$ 10,095,432 | \$ 2,618,449 |

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 1,159,751 | \$ 1,167,692 | \$ 7,941 |
| Special Revenue | 1,480,632 | 1,507,451 | 26,819 |
| Debt Service | 6,874,833 | 6,874,833 | - |
| Capital Projects | 4,023,776 | 4,023,776 | - |
| Enterprise | 3,469,119 | 3,474,586 | 5,467 |
| Internal Service | - | - | - |
| Total | \$ 17,008,111 | \$ 17,048,338 | \$ 40,227 |

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|---------------------|
| General | \$ 1,452,062 | \$ 1,200,303 | \$ 251,759 |
| Special Revenue | 1,780,411 | 1,576,847 | 203,564 |
| Debt Service | 6,941,817 | 6,935,779 | 6,038 |
| Capital Projects | 3,450,372 | 2,657,054 | 793,318 |
| Enterprise | 3,754,291 | 3,435,043 | 319,248 |
| Internal Service | 60,000 | 3,818 | 56,182 |
| Total | <u>\$ 17,438,953</u> | <u>\$ 15,808,844</u> | <u>\$ 1,630,109</u> |

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|----------------------|----------------------|
| 1993 Ohio Water Development Authority Loan | \$ 146,143 | 2.00% |
| 1997 First Mortgage Water Revenue Bonds | 120,000 | 4.65-5.5% |
| 1999 Various Purpose General Obligation Bonds | 350,000 | 4.65-5.2% |
| 2000 Wastewater Treatment Plant Improvement OPWC Loan | 44,776 | 0.00% |
| 2001 Road Improvement Special Assessment Bonds | 90,000 | 4.4-5.25% |
| 2002 Ohio Public Works Commission Reservoir Loan | 157,500 | 0.00% |
| 2003 OPWC Phase 1 High Street Improvement Loan | 150,101 | 0.00% |
| 2004 OPWC Phase 2 High Street Improvement Loan | 161,885 | 0.00% |
| 2004 OWDA Water Treatment Plant Upgrade Loan | 1,261,361 | 2.00% |
| 2007 OWDA Waste Water Treatment Plant Improvement Loan (Open) | 2,413,265 | 0.00% |
| 2009 OPWC Apple Street Expansion Loan | 290,000 | 0.00% |
| 2010 OPWC Commercial & Industrial Access Road Phase I | 257,892 | 0.00% |
| 2010 Taxable Fire Station Bonds | 1,785,000 | 6.125-7.25% |
| 2010 OPWC Commercial & Industrial Access Road Phase II | 376,841 | 0.00% |
| 2010 Water Refunding Bonds | 2,095,000 | 1.0-5.20% |
| 2011 Various Purpose Bonds | 1,750,000 | 2.0-5.125% |
| 2011 Various Purpose Bond Anticipation Note | 633,800 | 2.25% |
| 2011 Street Improvement (Kroger TIF) Bond Anticipation Note | 600,000 | 3.00% |
| 2011 OWDA Water System Improvement Phase I (Open) | 134,706 | 0.00% |
| 2011 OWDA Sewer Rehabilitation Design (Open) | 25,290 | 0.00% |
| Total | <u>\$ 12,843,560</u> | |

The 1993 Ohio Water Development Authority (OWDA) Loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA loaned the Village \$2,435,336 for this project. The Village will repay the loan in semiannual installments, including interest, over 20 years with a final payment date of July 1, 2012.

The 1997 First Mortgage Water Revenue Bonds were used to refund previously issued 1997 and 1986 First Mortgage Water Revenue Bonds and 1996 Water Clarifier Notes, which were used to expand water lines and purchase water system improvements. The 1997 First Mortgage Water Revenue Bonds were issued in a total amount of \$1,310,000 and are payable in varying amounts through 2012. The Village has agreed to various bond covenants, including establishing Reserve Accounts with a Bond Trustee, and to set utility rates sufficient to maintain net income at 125% of maximum annual debt service requirements. See related Trustee note disclosure included in Note 11.

The 1999 Various Purpose General Obligation Bonds were used for street improvements and sewer line extensions. The Bonds were issued in a total amount of \$765,000 and are payable in varying amounts through 2019.

The 2000 Wastewater Treatment Plant Improvement Ohio Public Works Commissions Loan (OPWC) relates to a sewer plant improvement project. The OPWC loaned the Village \$99,500 for this project. The Village will repay the loan in semiannual installments over 20 years with a final payment date of July 1, 2020.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

The 2001 Road Improvement Special Assessment General Obligation Bonds were used to make improvements to State Route 68. The Bonds were issued in a total amount of \$140,000 and are payable in varying amounts through 2021.

The 2002 Ohio Public Works Commission Reservoir Loan relates to the creation of a water reservoir. The OPWC loaned the Village \$300,000 for this project. The Village will repay the loan in semiannual installments over 20 years with a final payment date of July 1, 2024.

The 2003 Ohio Public Works Commission Phase 1 High Street Improvement Loan relates to a street improvement project within the Village. The OPWC loaned the Village \$240,162 for this project. The Village will repay the loan in semiannual installments over 20 years with a final payment date of January 1, 2024.

The 2004 Ohio Public Works Commission Phase 2 High Street Improvement Loan relates to a street improvement project within the Village. The OPWC loaned the Village \$239,830 for this project. The Village will repay the loan in semiannual installments over 20 years with a final payment date of July 1, 2024.

The 2004 Ohio Water Development Authority Water Treatment Plant Upgrade Loan relates to upgrades to the Village's water treatment plant. The OWDA loaned \$1,757,942 with interest at 2.0% to the Village for this project. The Village will repay the loan in semiannual installments of \$53,539 including interest, over 20 years and payments began on July 1, 2005, with the final payment due January 1, 2025.

The 2007 Ohio Water Development Authority Phase 1 Pump Station Waste Water Treatment Plant Improvement Loan relates to upgrades to the Village's water treatment plant. The OWDA approved a no interest loan of up to \$3,079,637 to the Village for this project. As of December 31, 2011, the loan is in an "open" status. Additions to project expenditures totaled \$61,350 during 2010. During 2010 and 2011, the Village is making payments based on an interim loan schedule and retired \$323,570 of the loan.

The 2009 Ohio Public Works Commission Apple Street Expansion Loan relates to a street improvement project within the Village. The OPWC has approved a \$300,000 interest free loan to the Village. The Village will repay the loan in semiannual installments of \$5,000, over 30 years and payments began on January 1, 2011, with the final payment due July 1, 2040

The 2010 Ohio Public Works Commission Commercial & Industrial Access Road Phase I Loan relates to a street improvement project within the Village. The OPWC has approved a \$262,263 interest free loan to The Village will repay the loan in semiannual installments of \$4,371, over 30 years and payments began on July 1, 2011, with the final payment due July 1, 2041

The 2010 Taxable Fire Station Recovery Zone Bonds were used to construct a new Village Fire Station. The Bonds were issued in a total amount of \$1,800,000 and are payable in varying amounts through 2035. These bonds contain an annual federal reimbursement subsidy applicable to interest costs over the life of the bonds.

The 2010 Ohio Public Works Commission Commercial & Industrial Access Road Phase II Loan relates to Phase II of a street improvement project II within the Village. The OPWC has approved a \$376,841 interest free loan to The Village will repay the loan in semiannual installments of \$6,281, over 30 years and payments began on July 1, 2012, with the final payment due January 1, 2042.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

The 2010 Water Refunding Bonds were used to advance refund \$820,000 of the 2002 First Mortgage Waterworks System Revenue Bonds, retire a \$807,000 Water Purchase Rights Note and provide additional funding for improvements to the Village's waterworks system. The Bonds were issued in a total amount of \$2,140,000 and are payable in varying amounts through 2030. The Village has agreed to various bond covenants, including establishing Reserve Accounts with a Bond Trustee, and to set utility rates sufficient to maintain net income at 125% of maximum annual debt service requirements. See related Trustee note disclosure included in Note 11.

The 2011 Various Purpose Bonds were used to construct a new Village Fire Station. The Bonds were issued in a total amount of \$1,800,000 and are payable in varying amounts through 2034.

The 2011 \$633,800 Various Purpose Bond Anticipation Note is dated December 28, 2011 and matures December 28, 2012 and carries an interest rate of 2.25%. The note is for refinancing of notes originally issued for the purchase land and making street improvements within a tax increment district.

The 2011 \$600,000 Street Improvement (Kroger TIF) Bond Anticipation Note is dated August 17, 2011 and matures August 16, 2012 and carries an interest rate of 3.00%. The note is for refinancing of notes originally issued for the purchase land and making street and related water and sewer improvements within a tax increment district.

The 2011 Ohio Water Development Authority Water System Improvement Phase I Loan relates to a water system improvement project within the Village. The OWDA has approved a \$181,024 interest free loan to the Village. Project expenditures during 2011 totaled \$134,706. Repayment terms as of December 31, 2011 have not been established by OWDA.

The 2011 Ohio Water Development Authority Sewer Rehabilitation Design Loan relates to a sewer system improvement project within the Village. The OWDA has approved a \$66,100 interest free loan to the Village. Project expenditures during 2011 totaled \$31,900. Repayment terms as of December 31, 2011 have not been established by OWDA.

Amortization of the above remaining debt and interest (excluding short term notes and OPWC and OWDA loans that have not been finalized) is scheduled as follows:

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

| Year ending December 31: | 1993 OWDA | 1997 Water Revenue | 1999 Various Purpose Bonds | 2000 OPWC Loan | 2001 Road Improvement | 2002 OPWC Loan |
|-----------------------------|-------------------|-----------------------|-------------------------------|-------------------|--------------------------|-------------------|
| | Loan | Bonds | | | Bonds | |
| 2012 | \$ 148,339 | \$ 126,600 | \$ 63,042 | \$ 4,975 | \$ 9,585 | \$ 15,000 |
| 2013 | - | - | 60,793 | 4,975 | 9,350 | 15,000 |
| 2014 | - | - | 58,520 | 4,975 | 14,110 | 15,000 |
| 2015 | - | - | 61,180 | 4,975 | 13,620 | 15,000 |
| 2016 | - | - | 58,580 | 4,975 | 13,120 | 15,000 |
| 2017-2021 | - | - | 124,100 | 19,901 | 57,855 | 75,000 |
| 2022-2026 | - | - | - | - | - | 7,500 |
| Total | <u>\$ 148,339</u> | <u>\$ 126,600</u> | <u>\$ 426,215</u> | <u>\$ 44,776</u> | <u>\$ 117,640</u> | <u>\$ 157,500</u> |

| Year ending December 31: | 2003 OPWC | 2004 OPWC | 2004 OWDA | 2009 OPWC | 2010 OPWC | 2010 OPWC |
|-----------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| | Loan | Loan | Loan | Loan | Loan Phase I | Loan Phase II |
| 2012 | \$ 12,008 | \$ 11,992 | \$ 107,078 | \$ 10,000 | \$ 8,742 | \$ 6,281 |
| 2013 | 12,008 | 11,992 | 107,078 | 10,000 | 8,742 | 12,561 |
| 2014 | 12,008 | 11,992 | 107,078 | 10,000 | 8,742 | 12,561 |
| 2015 | 12,008 | 11,992 | 107,078 | 10,000 | 8,742 | 12,561 |
| 2016 | 12,008 | 11,992 | 107,078 | 10,000 | 8,742 | 12,561 |
| 2017-2021 | 60,041 | 59,957 | 535,390 | 50,000 | 43,710 | 62,807 |
| 2022-2026 | 30,020 | 41,968 | 374,773 | 50,000 | 43,710 | 62,807 |
| 2027-2031 | - | - | - | 50,000 | 43,710 | 62,807 |
| 2032-2036 | - | - | - | 50,000 | 43,710 | 62,807 |
| 2037-2041 | - | - | - | 40,000 | 39,342 | 62,807 |
| 2042-2046 | - | - | - | - | - | 6,281 |
| Total | <u>\$ 150,101</u> | <u>\$ 161,885</u> | <u>\$ 1,445,553</u> | <u>\$ 290,000</u> | <u>\$ 257,892</u> | <u>\$ 376,841</u> |

| Year ending December 31: | 2010 Taxable Fire Station | 2011 Water Refunding | 2011 Various Purpose Bonds | Total |
|-----------------------------|------------------------------|-------------------------|-------------------------------|----------------------|
| | Bonds | Bonds | | |
| 2012 | \$ 86,320 | \$ 137,635 | \$ 128,125 | \$ 875,722 |
| 2013 | 90,646 | 141,735 | 127,125 | 612,005 |
| 2014 | 94,804 | 155,485 | 126,125 | 631,400 |
| 2015 | 113,793 | 183,665 | 125,000 | 679,614 |
| 2016 | 117,109 | 185,720 | 123,625 | 680,510 |
| 2017-2021 | 590,899 | 973,310 | 635,551 | 3,288,521 |
| 2022-2026 | 599,808 | 875,930 | 628,392 | 2,714,908 |
| 2027-2031 | 603,734 | 545,840 | 634,057 | 1,940,148 |
| 2032-2036 | 512,651 | - | 392,156 | 1,061,324 |
| 2037-2041 | - | - | - | 142,149 |
| 2042-2046 | - | - | - | 6,281 |
| Total | <u>\$ 2,809,764</u> | <u>\$ 3,199,320</u> | <u>\$ 2,920,156</u> | <u>\$ 12,632,582</u> |

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

7. CAPITAL LEASE

During 2008 the Village assumed the capital lease for a fire truck with an initial amount of \$460,332 when the operations of the Mt. Orab Volunteer Fire & EMS Services, a non-profit corporation, were assumed by the Village. Amortization of the remaining lease, including interest, is scheduled as follows:

| <u>Year ending December 31,</u> | <u>Amount</u> |
|--|------------------|
| 2012 | \$57,257 |
| 2013 | 57,257 |
| 2014 | <u>57,257</u> |
| Total minimum lease payments | 171,771 |
| Less: amount representing interest | <u>(14,789)</u> |
| Present value of future minimum lease payments | <u>\$156,982</u> |

8. RETIREMENT SYSTEMS

The Village's fire fighters and law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 24 percent of full time fire participant wages and 19.5 percent of full time police participant wages. OPERS members contributed 10 percent for 2011 and 2010. The Village contributed an amount equal to 14 percent for 2011 and 2010. The Village has paid all contributions required through December 31, 2011.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Wrongful Acts
- Law Enforcement Liability
- Excess Liability
- Property, Automobile, Inland Marine; and
- EDP
- Crime

The Village also provides health and life insurance coverage for full-time employees through a private carrier.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

10. TRANSFERS

During 2011 the TIF District Special Revenue Funds transferred \$351,023 to the Debt Service Funds for the retirement of related debt. The Water Operating Enterprise Fund transferred \$114,000 to Water Debt Service Enterprise Funds for retirement of related debt and the Sewer Operating Enterprise Fund transferred \$135,600 to the Sewer Debt Service Enterprise Funds for retirement of related debt.

During 2010 the General Fund transferred \$2,913 to the Assistant Firefighters FEMA Grant Special Revenue Fund for operating funds. The TIF District Special Revenue Funds transferred \$144,000 to the Debt Service Funds for the retirement of related debt. The Water Operating Enterprise Fund transferred \$114,000 to Water Debt Service Enterprise Funds for retirement of related debt and the Sewer Operating Enterprise Fund transferred \$135,600 to the Sewer Debt Service Enterprise Funds for retirement of related debt.

11. DEBT SERVICE TRUST FUNDS

The 1997 First Mortgage Water Revenue Bonds trust agreement required the Village to establish various funds to be maintained by a custodian trustee. The Village has established these funds. At December 31, 2011, the custodian trustee held \$185,926 in Village assets.

The 2010 Water Refunding Bonds trust agreement also required the Village to establish various funds to be maintained by a custodian trustee funded from the proceeds of the 2010 Water Refunding Bonds along with available funds previously maintained in other bond accounts related to the bonds that were advanced refunded. The Village has established these funds. At December 31, 2011, the custodian trustee held \$219,465 in Village assets.

These assets, and the related receipts and disbursements within those accounts, are not reflected in the accompanying financial statements.

12. RELATED ORGANIZATION

The Mt. Orab Port Authority is a related organization to the Village of Mt. Orab. The Mayor of the Village is responsible for appointing three Directors to the Board of the Port Authority; however, the Village cannot influence the Port Authority's operation nor does the Port Authority represent a potential financial benefit or burden to the Village of Mt. Orab.

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of Village Council
Village of Mt. Orab, Brown County, Ohio

We have audited the financial statements of the Village of Mt. Orab, Brown County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 27, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

We noted certain matters that we have reported to management of the Village in a separate letter dated June 27, 2012.

This report is intended solely for the information and use of management, Village Council and others within the Village and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 27, 2012

**VILLAGE OF MT. ORAB
 BROWN COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2011 AND 2010**

| Finding Number | Finding Summary | Fully Corrected? | Status Explanation |
|-----------------------|---|-------------------------|--|
| 2009-01 | EMS contracts not in compliance with Ohio Revised Code Section 505.44 | Yes | Condition was resolved by the Village. |



Dave Yost • Auditor of State

VILLAGE OF MT. ORAB

BROWN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 11, 2012**