



Dave Yost • Auditor of State

VILLAGE OF MT. ORAB
BROWN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Mt. Orab
Brown County
211 South High Street
PO Box 466
Mt. Orab, Ohio 45154

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Mt. Orab, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position or cash flows of the Village as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Mt. Orab, Brown County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 29, 2015

**VILLAGE OF MT ORAB
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$58,378	\$275,598	-	-	\$333,976
Municipal Income Tax	1,081,854	0	-	-	1,081,854
Intergovernmental	46,666	172,509	49,177	903,396	1,171,748
Special Assessments	-	554,618	67,770	0	622,388
Charges for Services	-	634,341	-	4,590	638,931
Fines, Licenses and Permits	192,470	6,467	-	10,892	209,829
Earnings on Investments	1,420	22	-	-	1,442
Miscellaneous	6,403	105,574	-	79,839	191,816
<i>Total Cash Receipts</i>	<u>1,387,191</u>	<u>1,749,129</u>	<u>116,947</u>	<u>998,717</u>	<u>4,251,984</u>
Cash Disbursements					
Current:					
Security of Persons and Property	861,261	1,310,223	-	127,854	2,299,338
Public Health Services	5,655	-	-	-	5,655
Leisure Time Activities	42,460	11,978	-	-	54,438
Community Environment	53,619	-	-	-	53,619
Basic Utility Services	-	-	-	87,226	87,226
Transportation	196,515	173,909	74	1,269,194	1,639,692
General Government	198,109	106,685	-	-	304,794
Capital Outlay	-	-	-	25,565	25,565
Debt Service:					
Principal Retirement	21,648	215,831	2,493,689	23,921	2,755,089
Interest and Fiscal Charges	2,000	77,800	213,249	-	293,049
<i>Total Cash Disbursements</i>	<u>1,381,267</u>	<u>1,896,426</u>	<u>2,707,012</u>	<u>1,533,760</u>	<u>7,518,465</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,924</u>	<u>(147,297)</u>	<u>(2,590,065)</u>	<u>(535,043)</u>	<u>(3,266,481)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds and Notes	-	255,000	2,185,000	766,269	3,206,269
Sale of Capital Assets	-	-	-	32,126	32,126
Transfers In	50,000	-	475,141	-	525,141
Transfers Out	-	(266,225)	-	-	(266,225)
Other Financing Sources	1,185	459	-	-	1,644
Other Financing Uses	(16,571)	-	-	-	(16,571)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>34,614</u>	<u>(10,766)</u>	<u>2,660,141</u>	<u>798,395</u>	<u>3,482,384</u>
<i>Net Change in Fund Cash Balances</i>	40,538	(158,063)	70,076	263,352	215,903
<i>Fund Cash Balances, January 1</i>	<u>141,535</u>	<u>521,017</u>	<u>331,749</u>	<u>89,327</u>	<u>1,083,628</u>
Fund Cash Balances, December 31					
Restricted	-	383,250	401,825	352,679	1,137,754
Assigned	9,735	-	-	-	9,735
Unassigned (Deficit)	172,338	-	-	-	172,338
<i>Fund Cash Balances, December 31</i>	<u>\$182,073</u>	<u>\$383,250</u>	<u>\$401,825</u>	<u>\$352,679</u>	<u>\$1,319,827</u>

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

**VILLAGE OF MT ORAB
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types		Fiduciary Fund Types	Totals
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$2,453,113	-	-	\$2,453,113
Fines, Licenses and Permits	\$2,000	-	-	2,000
<i>Total Operating Cash Receipts</i>	<u>2,455,113</u>	<u>0</u>	<u>0</u>	<u>2,455,113</u>
Operating Cash Disbursements				
Personal Services	359,284	-	-	359,284
Employee Fringe Benefits	123,582	7,640	-	131,222
Contractual Services	985,028	-	-	985,028
Supplies and Materials	382,281	-	-	382,281
<i>Total Operating Cash Disbursements</i>	<u>1,850,175</u>	<u>7,640</u>	<u>0</u>	<u>1,857,815</u>
<i>Operating Income (Loss)</i>	<u>604,938</u>	<u>(7,640)</u>	<u>0</u>	<u>597,298</u>
Non-Operating Receipts (Disbursements)				
Sale of Bonds	67,692	-	-	67,692
Other Debt Proceeds	2,699	-	-	2,699
Sale of Capital Assets	575	-	-	575
Miscellaneous Receipts	7,668	-	-	7,668
Capital Outlay	(270,948)	-	-	(270,948)
Principal Retirement	(197,929)	-	-	(197,929)
Interest and Other Fiscal Charges	(126,549)	-	-	(126,549)
Other Financing Sources	58,351	-	251,701	310,052
Other Financing Uses	(498)	-	(247,341)	(247,839)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(458,939)</u>	<u>0</u>	<u>4,360</u>	<u>(454,579)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>145,999</u>	<u>(7,640)</u>	<u>4,360</u>	<u>142,719</u>
Transfers In	96,000	-	-	96,000
Transfers Out	(375,212)	-	-	(375,212)
<i>Net Change in Fund Cash Balances</i>	<u>(133,213)</u>	<u>(7,640)</u>	<u>4,360</u>	<u>(136,493)</u>
<i>Fund Cash Balances, January 1</i>	<u>731,660</u>	<u>173,907</u>	<u>11,322</u>	<u>916,889</u>
<i>Fund Cash Balances, December 31</i>	<u>\$598,447</u>	<u>\$166,267</u>	<u>\$15,682</u>	<u>\$780,396</u>

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

**VILLAGE OF MT ORAB
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$62,625	\$272,643	-	-	\$335,268
Municipal Income Tax	944,785	0	-	-	944,785
Intergovernmental	43,152	194,828	74,211	35,035	347,226
Special Assessments	-	592,512	68,565	-	661,077
Charges for Services	\$494	598,785	-	-	599,279
Fines, Licenses and Permits	188,661	1,787	-	13,029	203,477
Earnings on Investments	5,031	76	-	-	5,107
Miscellaneous	7,854	47,705	-	-	55,559
<i>Total Cash Receipts</i>	<u>1,252,602</u>	<u>1,708,336</u>	<u>142,776</u>	<u>48,064</u>	<u>3,151,778</u>
Cash Disbursements					
Current:					
Security of Persons and Property	815,096	838,358	-	26,401	1,679,855
Public Health Services	9,538	-	-	-	9,538
Leisure Time Activities	31,825	49,503	-	\$373	81,701
Community Environment	55,056	-	-	-	55,056
Basic Utility Services	-	-	-	28,669	28,669
Transportation	161,750	242,509	122	137,838	542,219
General Government	285,837	115,530	-	-	401,367
Capital Outlay	-	\$5,053	-	16,303	21,356
Debt Service:					
Principal Retirement	21,647	158,404	2,543,937	-	2,723,988
Interest and Fiscal Charges	-	56,595	237,851	-	294,446
<i>Total Cash Disbursements</i>	<u>1,380,749</u>	<u>1,465,952</u>	<u>2,781,910</u>	<u>209,584</u>	<u>5,838,195</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(128,147)</u>	<u>242,384</u>	<u>(2,639,134)</u>	<u>(161,520)</u>	<u>(2,686,417)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds and Notes	-	-	2,300,000	-	2,300,000
Premium and Accrued Interest on Debt	-	-	19,159	-	19,159
Sale of Capital Assets	\$5,000	7,816	-	3,201	16,017
Transfers In	0	-	463,058	-	463,058
Transfers Out	-	(233,846)	-	-	(233,846)
Other Financing Sources	2,736	271	-	-	3,007
Other Financing Uses	(9,058)	-	-	-	(9,058)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,322)</u>	<u>(225,759)</u>	<u>2,782,217</u>	<u>3,201</u>	<u>2,558,337</u>
Extraordinary Item	14,382	-	-	-	14,382
<i>Net Change in Fund Cash Balances</i>	<u>(115,087)</u>	<u>16,625</u>	<u>143,083</u>	<u>(158,319)</u>	<u>(113,698)</u>
<i>Fund Cash Balances, January 1</i>	<u>256,622</u>	<u>504,392</u>	<u>188,666</u>	<u>247,646</u>	<u>1,197,326</u>
Fund Cash Balances, December 31					
Restricted	-	521,017	331,749	89,327	942,093
Unassigned (Deficit)	141,535	-	-	-	141,535
<i>Fund Cash Balances, December 31</i>	<u>\$141,535</u>	<u>\$521,017</u>	<u>\$331,749</u>	<u>\$89,327</u>	<u>\$1,083,628</u>

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

**VILLAGE OF MT ORAB
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types		Fiduciary Fund	Totals
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$2,322,425	-	-	\$2,322,425
Fines, Licenses and Permits	\$163,505	-	-	163,505
<i>Total Operating Cash Receipts</i>	<u>2,485,930</u>	<u>0</u>	<u>0</u>	<u>2,485,930</u>
Operating Cash Disbursements				
Personal Services	347,953	-	-	347,953
Employee Fringe Benefits	124,135	5,880	-	130,015
Contractual Services	895,820	-	-	895,820
Supplies and Materials	323,544	-	-	323,544
<i>Total Operating Cash Disbursements</i>	<u>1,691,452</u>	<u>5,880</u>	<u>0</u>	<u>1,697,332</u>
<i>Operating Income (Loss)</i>	<u>794,478</u>	<u>(5,880)</u>	<u>0</u>	<u>788,598</u>
Non-Operating Receipts (Disbursements)				
Sale of Bonds	8,280	-	-	8,280
Other Debt Proceeds	1,378	-	-	1,378
Sale of Capital Assets	1,275	-	-	1,275
Miscellaneous Receipts	10,515	-	-	10,515
Capital Outlay	(142,161)	-	-	(142,161)
Principal Retirement	(169,037)	-	-	(169,037)
Interest and Other Fiscal Charges	(113,095)	-	-	(113,095)
Other Financing Sources	4,013	-	245,565	249,578
Other Financing Uses	(2,736)	-	(245,174)	(247,910)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(401,568)</u>	<u>0</u>	<u>391</u>	<u>(401,177)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>392,910</u>	<u>(5,880)</u>	<u>391</u>	<u>387,421</u>
Transfers In	96,000	-	-	96,000
Transfers Out	(325,212)	-	-	(325,212)
<i>Net Change in Fund Cash Balances</i>	<u>163,698</u>	<u>(5,880)</u>	<u>391</u>	<u>158,209</u>
<i>Fund Cash Balances, January 1</i>	<u>567,962</u>	<u>179,787</u>	<u>10,931</u>	<u>758,680</u>
<i>Fund Cash Balances, December 31</i>	<u>\$731,660</u>	<u>\$173,907</u>	<u>\$11,322</u>	<u>\$916,889</u>

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

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mt. Orab, Brown County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, public safety, fire and EMS services, water and sewer utilities, garbage services, park recreation, street maintenance, and police 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 8 to the financial statement describes these assets.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

STAR Ohio is recorded at share values the mutual funds reports.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 property tax money to pay for the Village’s expenses for police protection.

Fire Levy Fund – This fund receives property tax money to pay for the Village’s expenses for fire protection.

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

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

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

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

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

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund – This fund receives charges for services from residents to cover sewer service costs.

VILLAGE OF MT. ORAB
BROWN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

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

6. **Internal Service Fund**

This fund accounts for services provided by one department to other departments of the government unit. 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.

7. **Fiduciary Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following Fiduciary Fund:

Mayor's Court Fund: This fund is used to account for the collection and distribution of Mayor's Court fines, fees, and bonds.

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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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 approve estimated resources.

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

VILLAGE OF MT. ORAB
BROWN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* 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 the 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.

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.

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Deposits and Investments

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

	2014	2013
Demand deposits	\$1,598,614	\$1,499,747
Certificates of deposit	353,578	352,788
Other time deposits (savings and NOW accounts)	1,952,192	1,852,535
Total deposits	1,952,192	1,852,535
U.S. Treasury Notes		
STAR Ohio	148,031	147,982
Total investments	148,031	147,982
 Total deposits and investments	 \$2,100,223	 \$2,000,517

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

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

3. Budgetary Activity

Budgetary activity for the years ending 2014 and 2013 follows:

Fund Type	2014 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$1,422,409	\$1,438,376	\$15,967
Special Revenue	2,009,416	2,024,884	\$15,468
Debt Service	2,931,983	2,777,088	(\$154,895)
Capital Projects	2,023,533	1,797,112	(\$226,421)
Enterprise	2,085,647	2,592,098	\$506,451
Internal Service	0	0	\$0
Total	\$10,472,988	\$10,629,558	\$156,570

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,500,756	\$1,397,838	\$102,918
Special Revenue	2,291,019	2,162,652	128,367
Debt Service	2,867,744	2,702,012	165,732
Capital Projects	1,958,209	1,533,760	424,449
Enterprise	2,861,901	2,446,099	415,802
Internal Service	40,000	7,640	32,361
Total	<u>\$11,519,629</u>	<u>\$10,250,000</u>	<u>\$1,269,629</u>

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,247,400	\$1,260,338	\$12,938
Special Revenue	1,690,974	1,716,423	\$25,449
Debt Service	3,020,993	2,924,993	(\$96,000)
Capital Projects	265,169	51,265	(\$213,904)
Enterprise	2,261,599	2,511,391	\$249,792
Internal Service	0	0	\$0
Total	<u>\$8,486,135</u>	<u>\$8,464,410</u>	<u>(\$21,725)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,504,795	\$1,389,807	\$114,988
Special Revenue	1,927,127	1,699,798	227,329
Debt Service	2,932,513	2,781,914	150,599
Capital Projects	314,655	209,582	105,073
Enterprise	2,703,746	2,118,481	585,265
Internal Service	40,000	5,880	34,120
Total	<u>\$9,422,836</u>	<u>\$8,205,462</u>	<u>\$1,217,374</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Local Income Tax

The Village levies a municipal income tax of 1 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.

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1999 Various Purpose General Obligation Bonds	\$215,000	4.65-5.2%
2000 Wasterwater Treatment Plant Improvement OPWC Loan	\$29,850	0%
2001 Road Improvement Special Aessment Bonds	70,000	4.4-5.25%
2002 Ohio Public Works Commission Reservoir Loan	\$112,500	0%
2003 OPWC Phase 1 High Street Improvement Loan	\$114,076	0%
2004 OPWC Phase 2 High Street Improvement Loan	\$125,911	0%
2004 OWDA Water Treatment Plant Upgrade Loan	\$1,009,587	2%
2007 OWDA Waste Water Treatment Plant Improvement Loan	\$1,992,736	0%
2009 OPWC Apple Street Expension Loan	\$260,000	0%
2010 OPWC Commercial & Industrial Access Road Phase I	\$231,666	0%
2010 Taxable Fire Station Bonds	\$1,710,000	6.125-7.25%
2010 OPWC Commercial & Industrial Access Road Phase II	\$339,158	0%
2010 Water Refunding Bonds	\$1,930,833	1.0-5.2%
2011 Various Purpose Bonds	\$1,600,000	2.0-5.125%
2011 OWDA Water System Improvement Phase I (Open)	\$120,813	2%
2011 OPWA Sewer Rehabilitaion Design (Open)	\$15,865	0%
2012 OPWC Main Street West Improvements	\$348,821	0%
2014 Tax Increment Revenue Note, Series 2014	\$2,185,000	1.65%
2014 OWDA WWTP Upgrade Design (Open)	\$44,296	4.74%
2014 Brooks Malott Road Improvement Drawdown Note	\$381,269	2.25%
2014 Sewer System Improvements General Obligation Bonds	\$385,000	3.25%
2014 OPWC Brooks Malott Loan	\$3,431	0.00%
2014 Fire Truck Acquisition General Obligation Bonds	\$205,000	2.90%
Total	<u>\$13,430,812</u>	

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 plan improvement project. The OPWC loaned the Village \$99,500 for this project. The Village will repay the loan in semi-annual installments over 20 years with a final payment date of July 1, 2020.

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.

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

The 2002 OPWC 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, 2022.

The 2003 OPWC Phase I 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 OPWC 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 January 1, 2025.

The 2004 Ohio Water Development Authority (OWDA) 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% 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 OWDA Phase I Pump Station Waste Water Treatment Plant Improvement Loan relates to upgrades to the Village's water treatment plant. The OWDA loaned \$2,952,202 to the Village for this project. The Village will repay the remaining loan balance in semiannual installments of \$73,805 through July 2027.

The 2009 OPWC 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. Payments began on January 1, 2011, with the final payment due July 1, 2040.

The 2010 OPWC 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. The Village will repay the loan in semiannual installments of \$4,371 over 30 years. 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 these bonds.

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

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 \$2,120,000 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 a maximum annual debt service requirement. See Related Trustee note disclosure included in Note 7.

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

The 2011 Various Purpose Bonds were issued 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 OWDA Water System Improvement Phase I Loan relates to a water system improvement project within the Village. The OWDA has approved a \$145,304 loan at 2.0% interest to the Village. Repayment terms as of December 31, 2014 have not been established by OWDA. This loan is not included in the amortization schedule below.

The 2011 OWDA 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. Repayment terms as of December 31, 2014 have not been established by OWDA. This loan is not included in the amortization schedule below.

The 2012 OPWC Main Street West Improvements Loan relates to a street improvement project within the Village. The OWDA has approved a \$373,737 interest free loan to the Village. The Village will repay the loan in semiannual installments of \$6,229 over 30 years. Payments begin on January 1, 2013, with the final payment due July 1, 2042.

The tax Increment Revenue Note, Series 2014 was issued for the purpose of refinancing four note issues which financed public infrastructure improvements. The \$2,185,000 note and interest at 1.65% mature and are payable December 5, 2015.

The 2014 OWDA Waste Water Treatment Plant Upgrade Design Loan relates to a sewer plant improvement project within the Village. The OWDA has approved a \$396,710 loan at 4.74% interest to the Village. Repayment terms as of December 31, 2014 have not been established by OWDA. This loan is not included in the amortization schedule below.

The 2014 OPWC Brooks Malott Loan relates to a road improvement project within the Village. The OPWC has approved a \$100,000 interest free loan to the Village. Project expenditures during 2014 totaled \$3,431. Repayment terms as of December 31, 2014 have not been established by OPWC. This loan is not included in the amortization schedule below.

The 2014 Brooks Malott Road Improvement Drawdown Note relates to a road improvement project within the Village. The note was authorized for \$400,000 at 2.25% interest. Project expenditures during 2014 totaled \$381,269. The note matures on January 15, 2015.

The 2014 Sewer System Improvement Bonds were issued construct improvements to the Village's sewer system. The Bonds were issued in a total amount of \$385,000 and are payable in varying amounts through 2035.

The 2014 Fire Truck Acquisition General Obligation Bonds were issued to purchase a Village fire truck. The Bonds were issued in a total amount of \$255,000 and are payable in varying amounts through 2018.

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Bonds	Taxable Recovery Zone Bonds	Refunding Bonds	Total
2015	\$87,736	\$254,688	\$208,213	\$113,793	\$183,665	\$848,095
2016	87,736	254,688	213,399	117,109	185,720	\$858,652
2017	87,736	254,688	218,180	120,256	187,320	\$868,180
2018	87,736	254,688	222,211	118,234	193,540	\$876,409
2019	87,736	254,688	155,757	116,213	194,170	\$808,564
2020-2024	375,272	1,273,440	771,902	593,559	942,710	\$3,956,883
2025-2029	224,801	643,979	753,461	602,332	756,360	\$2,980,933
2030-2034	218,805		750,615	626,513	120,980	\$1,716,913
2035-2039	218,805		9,783	129,984		\$358,572
2040-2044	85,619					\$85,619
Total	<u>\$1,561,982</u>	<u>\$3,190,859</u>	<u>\$3,303,521</u>	<u>\$2,537,993</u>	<u>\$2,764,465</u>	<u>\$12,914,629</u>

7. Debt Service Trust Funds

The 2010 Water Refunding Bonds trust agreement also required the Village to establish various funds to be maintained by a custodian trustee that is funded from the proceeds of the 2010 Water Refunding Bonds along with available funds previously maintained in other bond accounts related to bonds that were advance refunded. The Village has established these funds. At December 31, 2014, the custodian trustee held \$223,332 in Village assets.

8. Retirement Systems

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP & F- full time firefighters</i>	<i>2005- June 30, 2013</i>	<i>10%</i>	<i>24%</i>
<i>OP&F – full time firefighters</i>	<i>July 1, 2013 to June 30, 2014</i>	<i>10.75%</i>	<i>24%</i>
<i>OP&F – full time firefighters</i>	<i>July 1, 2014 to Dec 2014</i>	<i>11.50%</i>	<i>24%</i>
<i>PERS – Local</i>	<i>2008-2014</i>	<i>10%</i>	<i>14%</i>
<i>PERS – Public Safety</i>	<i>2012</i>	<i>11.50%</i>	<i>18.10%</i>
<i>PERS – Public Safety</i>	<i>2013-2014</i>	<i>12.00%</i>	<i>18.10%</i>

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF MT. ORAB
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 11.5%, 10.75% and 10% of their wages respectively based on chart above. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2014 and 2013, OPERS members contributed 10 and 10% respectively, of their gross salaries and the Village contributed an amount equaling 14 and 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

10. Related Organizations

The Mt. Orab Port Authority is a related organization of the Village of Mt. Orab. Although the Port Authority is legally separate from the Village, the Port Authority is accountable to the Village because the Village appoints the Port Authority's board.

11. Bureau of Workers Compensation Rebate

During 2013 the Village received \$14,382 in BWC rebate. The Bureau of Workers Compensation Rebate was distributed to eligible employers due to the fact the annual return on invested contributions exceeded the expected 4% return. The BWC began mailing rebate checks to employers in late June; the Village posted their rebate on July 8, 2013.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Mt. Orab
211 South High Street
PO Box 466
Mt. Orab, Ohio 45154

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Mt. Orab, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

June 29, 2015



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
JULY 23, 2015**