

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

FOR THE YEARS ENDED DECEMBER
31, 2016 AND 2015

MICHAEL BOYD, FISCAL OFFICER



Dave Yost • Auditor of State

Village Council
Village of Mt. Orab
211 South High Street
Mt. Orab, Ohio 45154

We have reviewed the *Independent Auditor's Report* of the Village of Mt. Orab, Brown County, prepared by Lindholm + Company, for the audit period January 1, 2015 through December 31, 2016. 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.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 28, 2017

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**VILLAGE OF MT. ORAB
BROWN COUNTY**

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Independent Auditor's Report

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of Mt. Orab, Brown County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Village of Mt. Orab on the basis of accounting practices prescribed or permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 of each fund of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the year 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 as of December 31, 2016 and 2015, and their respective cash receipts and disbursements for the years then ended in accordance with the basis of accounting practices prescribed or permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) as described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2017 on our consideration of Village of Mt. Orab '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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Mt. Orab 's internal control over financial reporting and compliance.

LINDHOLM + COMPANY

Lindholm + Company
Worthington, Ohio

July 5, 2017

**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, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 50,797	\$ 286,730	\$ -	\$ -	\$ 337,527
Municipal Income Taxes	1,308,074	-	-	-	1,308,074
Intergovernmental	40,577	173,292	47,335	174,999	436,203
Revenue in Lieu of Taxes	-	-	110,810	-	110,810
Charges for Services	-	717,837	-	10,493	728,330
Fines, Licenses, and Permits	190,965	15,173	-	12,217	218,355
Earnings on Investments	3,887	59	-	-	3,946
Miscellaneous	4,641	697,614	-	-	702,255
<i>Total Cash Receipts</i>	<u>1,598,941</u>	<u>1,890,705</u>	<u>158,145</u>	<u>197,709</u>	<u>3,845,500</u>
Cash Disbursements					
Current:					
Security of Persons and Property	916,361	921,392	-	2,587	1,840,340
Public Health Services	5,655	-	-	-	5,655
Leisure Time Activities	35,168	27,642	-	-	62,810
Community Environment	51,327	-	-	-	51,327
Basic Utility Services	-	-	-	1,666,884	1,666,884
Transportation	230,320	154,880	-	-	385,200
General Government	243,011	128,731	1,801	-	373,543
Capital Outlay	-	-	-	19,757	19,757
Debt Service:					
Principal Retirement	32,000	94,448	2,827,611	-	2,954,059
Interest and Fiscal Charges	500	49,297	274,637	-	324,434
<i>Total Cash Disbursements</i>	<u>1,514,342</u>	<u>1,376,390</u>	<u>3,104,049</u>	<u>1,689,228</u>	<u>7,684,009</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>84,599</u>	<u>514,315</u>	<u>(2,945,904)</u>	<u>(1,491,519)</u>	<u>(3,838,509)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds	-	-	-	1,418,202	1,418,202
Sale of Notes	-	-	2,440,000	-	2,440,000
Sale of Capital Assets	-	1,961	-	-	1,961
Transfers In	-	-	516,121	-	516,121
Transfers Out	-	(362,121)	-	-	(362,121)
Other Financing Sources	5,929	62	-	-	5,991
Other Financing Uses	(32,644)	-	-	-	(32,644)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(26,715)</u>	<u>(360,098)</u>	<u>2,956,121</u>	<u>1,418,202</u>	<u>3,987,510</u>
<i>Net Change in Fund Cash Balances</i>	57,884	154,217	10,217	(73,317)	149,001
<i>Fund Cash Balances, January 1</i>	<u>174,063</u>	<u>408,338</u>	<u>499,200</u>	<u>100,339</u>	<u>1,181,940</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	-	-
Restricted	-	562,555	509,417	27,022	589,577
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	231,947	-	-	-	741,364
<i>Fund Cash Balances, December 31</i>	<u>\$ 231,947</u>	<u>\$ 562,555</u>	<u>\$ 509,417</u>	<u>\$ 27,022</u>	<u>\$ 1,330,941</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, 2016**

	Proprietary Fund Types		Fiduciary Fund Types	Totals
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$ 2,611,413	\$ -	\$ -	\$ 2,611,413
Fines, Licenses and Permits	2,400	-	-	2,400
<i>Total Operating Cash Receipts</i>	<u>2,613,813</u>	<u>-</u>	<u>-</u>	<u>2,613,813</u>
Operating Cash Disbursements				
Personal Services	415,608	-	-	415,608
Fringe Benefits	176,041	15,425	-	191,466
Contractual Services	985,509	-	-	985,509
Supplies and Materials	283,055	-	-	283,055
<i>Total Operating Cash Disbursements</i>	<u>1,860,213</u>	<u>15,425</u>	<u>-</u>	<u>1,875,638</u>
<i>Operating Income (Loss)</i>	<u>753,600</u>	<u>(15,425)</u>	<u>-</u>	<u>738,175</u>
Non-Operating Receipts (Disbursements)				
Miscellaneous Receipts	1,133	4,102	-	5,235
Capital Outlay	(206,738)	-	-	(206,738)
Principal Retirement	(282,514)	-	-	(282,514)
Interest and Other Fiscal Charges	(119,556)	-	-	(119,556)
Other Financing Sources	8,376	-	248,475	256,851
Other Financing Uses	(220)	-	(248,475)	(248,695)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(599,519)</u>	<u>4,102</u>	<u>-</u>	<u>(595,417)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>154,081</u>	<u>(11,323)</u>	<u>-</u>	<u>142,758</u>
Transfers In	124,090	-	-	124,090
Transfers Out	(278,090)	-	-	(278,090)
<i>Net Change in Fund Cash Balances</i>	<u>81</u>	<u>(11,323)</u>	<u>-</u>	<u>(11,242)</u>
<i>Fund Cash Balances, January 1</i>	<u>380,711</u>	<u>154,025</u>	<u>15,682</u>	<u>550,418</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 380,792</u>	<u>\$142,702</u>	<u>\$ 15,682</u>	<u>\$ 539,176</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, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 54,661	\$ 283,957	\$ -	\$ -	\$ 338,618
Municipal Income Tax	1,112,411	-	-	-	1,112,411
Intergovernmental	39,820	385,328	48,515	-	473,663
Special Assessments	-	-	65,821	-	65,821
Charges for Services	3,300	554,122	-	12,716	570,138
Fines, Licenses and Permits	197,028	9,428	-	11,843	218,299
Earnings on Investments	3,636	56	-	-	3,692
Miscellaneous	2,904	621,936	50,000	-	674,840
<i>Total Cash Receipts</i>	<u>1,413,760</u>	<u>1,854,827</u>	<u>164,336</u>	<u>24,559</u>	<u>3,457,482</u>
Cash Disbursements					
Current:					
Security of Persons and Property	910,704	1,132,494	-	5,211	2,048,409
Public Health Services	5,563	-	-	-	5,563
Leisure Time Activities	15,245	28,649	-	-	43,894
Community Environment	55,962	-	-	-	55,962
Basic Utility Services	-	-	-	1,065,242	1,065,242
Transportation	150,853	169,568	-	456,616	777,037
General Government	229,903	116,410	56	-	346,369
Capital Outlay	-	1,500	-	26,553	28,053
Debt Service:					
Principal Retirement	18,288	130,261	2,797,610	-	2,946,159
Interest and Fiscal Charges	-	18,514	202,300	1,378	222,192
<i>Total Cash Disbursements</i>	<u>1,386,518</u>	<u>1,597,396</u>	<u>2,999,966</u>	<u>1,555,000</u>	<u>7,538,880</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>27,242</u>	<u>257,431</u>	<u>(2,835,630)</u>	<u>(1,530,441)</u>	<u>(4,081,398)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds	-	-	-	1,203,714	1,203,714
Sale of Notes	-	-	2,440,000	73,887	2,513,887
Sale of Capital Assets	545	1,444	-	500	2,489
Transfers In	-	30,000	493,005	-	523,005
Transfers Out	(30,000)	(263,793)	-	-	(293,793)
Other Financing Sources	75	6	-	-	81
Other Financing Uses	(5,872)	-	-	-	(5,872)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(35,252)</u>	<u>(232,343)</u>	<u>2,933,005</u>	<u>1,278,101</u>	<u>3,943,511</u>
<i>Net Change in Fund Cash Balances</i>	<u>(8,010)</u>	<u>25,088</u>	<u>97,375</u>	<u>(252,340)</u>	<u>(137,887)</u>
<i>Fund Cash Balances, January 1</i>	<u>182,073</u>	<u>383,250</u>	<u>401,825</u>	<u>352,679</u>	<u>1,319,827</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	-	-
Restricted	-	408,338	499,200	100,339	1,007,877
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	174,063	-	-	-	174,063
<i>Fund Cash Balances, December 31</i>	<u>\$ 174,063</u>	<u>\$ 408,338</u>	<u>\$ 499,200</u>	<u>\$ 100,339</u>	<u>\$ 1,181,940</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, 2015**

	Proprietary Fund Types	Fiduciary Fund Types		Totals
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$ 2,577,487	\$ -	\$ -	\$ 2,577,487
Fines, Licenses and Permits	2,400	-	-	2,400
<i>Total Operating Cash Receipts</i>	<u>2,579,887</u>	<u>-</u>	<u>-</u>	<u>2,579,887</u>
Operating Cash Disbursements				
Personal Services	409,578	-	-	409,578
Fringe Benefits	156,857	12,242	-	169,099
Contractual Services	1,020,457	-	-	1,020,457
Supplies and Materials	341,694	-	-	341,694
<i>Total Operating Cash Disbursements</i>	<u>1,928,586</u>	<u>12,242</u>	<u>-</u>	<u>1,940,828</u>
<i>Operating Income (Loss)</i>	<u>651,301</u>	<u>(12,242)</u>	<u>-</u>	<u>639,059</u>
Non-Operating Receipts (Disbursements)				
Miscellaneous Receipts	6,332	-	-	6,332
Capital Outlay	(175,730)	-	-	(175,730)
Principal Retirement	(294,433)	-	-	(294,433)
Interest and Other Fiscal Charges	(175,994)	-	-	(175,994)
Other Financing Sources	-	-	248,999	248,999
Other Financing Uses	-	-	(248,999)	(248,999)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(639,825)</u>	<u>-</u>	<u>-</u>	<u>(639,825)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	11,476	(12,242)	-	(766)
Transfers In	96,000	-	-	96,000
Transfers Out	(325,212)	-	-	(325,212)
<i>Net Change in Fund Cash Balances</i>	<u>(217,736)</u>	<u>(12,242)</u>	<u>-</u>	<u>(229,978)</u>
<i>Fund Cash Balances, January 1</i>	<u>598,447</u>	<u>166,267</u>	<u>15,682</u>	<u>780,396</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 380,711</u>	<u>\$ 154,025</u>	<u>\$ 15,682</u>	<u>\$ 550,418</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, 2016 AND 2015**

Note 1 - Reporting 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.

Note 2 - Summary of Significant Accounting Policies

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.

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.

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:

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

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:

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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:

Tax Increment Revenue Bond Fund: This fund is making payments of principal and interest on bonds, and received bond proceeds to fund infrastructure and safety 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.

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:

OWDA #7289 WWTP Phase I Fund – This fund receives debt proceeds for the funding of the sewer plant upgrade.

Enterprise Fund 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.

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

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

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.

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.

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 the budgetary activity appears in Note 3.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,587,843	\$1,606,573	\$18,730
Special Revenue	1,876,595	1,892,729	16,134
Debt Service	3,238,356	3,114,267	(124,089)
Capital Projects	1,645,328	1,615,911	(29,417)
Enterprise	2,534,027	2,747,412	213,385
Internal Service	0	0	0
Total	\$10,882,149	\$10,976,892	\$94,743

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,658,305	\$1,546,986	\$111,319
Special Revenue	1,975,828	1,738,511	237,317
Debt Service	3,238,597	3,104,049	134,548
Capital Projects	1,694,015	1,689,228	4,787
Enterprise	2,976,246	2,469,241	507,005
Internal Service	35,125	15,425	19,700
Total	\$11,578,116	\$10,563,440	\$1,014,676

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 3 - Budgetary Activity (Continued)

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,379,388	\$1,424,381	\$44,993
Special Revenue	1,878,410	1,896,277	17,867
Debt Service	3,184,351	3,097,340	(87,011)
Capital Projects	1,340,335	1,302,660	(37,675)
Enterprise	2,495,350	2,682,218	186,868
Internal Service	0	0	0
Total	\$10,277,834	\$10,402,876	\$125,042

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,550,501	\$1,422,390	\$128,111
Special Revenue	1,994,755	1,861,189	133,566
Debt Service	3,165,446	2,999,966	165,480
Capital Projects	1,643,173	1,555,000	88,173
Enterprise	3,083,367	2,574,743	508,624
Internal Service	40,0000	12,242	27,758
Total	\$11,477,242	\$10,425,530	\$1,051,712

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 4 – 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 at December 31 was as follows:

	<u>2016</u>	<u>2015</u>
Demand Deposits	\$1,613,048	\$1,476,083
Certificates of deposit	108,087	108,087
Total deposits	<u>1,721,135</u>	<u>1,584,170</u>
STAR Ohio	148,982	148,188
Total investments	<u>148,982</u>	<u>148,188</u>
Total deposits and investments	<u><u>\$1,870,117</u></u>	<u><u>\$1,732,358</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; 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.

Note 5 – Taxes

Property Taxes

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.

Local Income Taxes

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 6 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1999 Various Purpose General Obligation Bonds	\$115,000	4.65-5.2%
2000 OPWC Wastewater Treatment Plant #CT43B	\$19,900	0%
2001 Road Improvement Special Assessment Bonds	\$50,000	4.4-5.25%
2002 OPWC Reservoir Loan #C020D	\$82,500	0%
2003 OPWC Phase 1 High Street Improv Loan	\$90,061	0%
2004 OPWC Phase 2 High Street Improv Loan	\$101,928	0%
2004 OWDA Water Treatment Plant Upgrade Loan	\$833,190	2%
2007 OWDA Waste Water Treatment Plant Improv	\$1,697,516	0%
2009 OPWC Apple Street Expension Loan #C026M	\$240,000	0%
2010 OPWC Comm & Ind Access Road Phase I	\$214,182	0%
2010 Taxable Fire Station Bonds RZEDB	\$1,605,000	6.125-
2010 OPWC Comm & Ind Access Road Phase II	\$314,034	0%
2010 Water Refunding Bonds	\$1,740,000	1.0-5.2%
2011 Various Purpose Bonds	\$1,500,000	2.0-5.125%
2011 OWDA Water System Improv Phase I (Open)	\$109,330	2%
2012 OPWC Main Street West Improv #C012P	\$323,905	0%
2014 OPWC Brooks-Malott Improv #C016Q	\$73,452	0%
2014 OPWC WWTP Improvement Phase I #CT57R	\$175,000	0%
2014 Sewer System Improvements General	\$356,125	3.25%
2015 Fire Truck Acquisition Bonds	\$105,000	2.90%
2015 OWDA Sanitary Sewer Rehab #6894	\$628,485	0.00%
2015 OPWC East Main Street Improv #DC020S	\$360,442	2.25%
2016 Tax Increment Revenue Bonds	\$2,365,000	2.90%
2016 OWDA WWTP Improv Phase I #7289	\$3,003,070	0-.75%
2016 OWDA WWTP Improv Phase I #7289	\$380,814	2.90%
Total	\$16,483,933	

The 1999 Various Purpose General Obligation Bonds were used for street improvements and sewer line extensions, funded by assessments north of the 68/32 intersection. 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) #CT43B 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.

The 2002 OPWC Reservoir Loan #C020D 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 #C020G 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 6 – Debt (Continued)

The 2004 OPWC Phase 2 High Street Improvement Loan #C020H 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 #4078 relates to upgrades to the Village's water treatment plant. The OWDA loaned \$1,757,942 with interest at 2% to the Village on 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 #4785 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 January 2028.

The 2009 OPWC Apple Street Expansion Loan #C026M 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 #C014N 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 #C019O 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.

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 #5877 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 the loan payments began January 1, 2012 and plan to be paid by July 1, 2031. This loan is included in the amortization schedule below based on the 2% loan calculation.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 6 – Debt (Continued)

The 2012 OPWC Main Street West Improvements Loan #C012P 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 2014 OPWC Brooks Malott Loan #C016Q relates to a road improvement project within the Village. The OPWC has approved a \$100,000 interest free loan to the Village. The amortization payments began July 1, 2015 and requires annual payments of \$2,577.26 annually until paid off January 1, 2045.

The 2014 OPWC WWTP Improvement Phase I Loan #CT57R relates to a sewer plant improvement project within the Village. The OPWC loan was authorized for \$175,000 at 0% interest. The payment schedule started January 1, 2016 with annual payments through January 1, 2046 in the amount of \$5,833.33.

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 June 15, 2035. Annual principal payments are \$19,250.00 with a 3.25% interest rate.

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 at a 2.9% interest rate.

The 2015 OWDA Sanitary Sewer Rehab Loan #6894 relates to improvement in the sewer system within the Village. The OWDA loan was authorized for \$661,562.90 at 0% interest. The payment schedule started January 1, 2016 with annual payments of \$33,078.14 through July 1, 2035.

The 2015 OPWC East Main Street Improvement Loan #DC020S relates to a road improvement project within the Village. The OPWC loan was authorized for \$360,441.82 at 0% interest. The payment schedule started January 1, 2016 with annual payments through January 1, 2046 in the amount of \$12,218.36.

The Tax Increment Revenue Bonds Series 2016 was a consolidation of various tax increment revenue notes issued to finance public infrastructure improvements. The Bonds were issued on April 5, 2016 in the amount of \$2,440,000 and are payable in varying amounts through 2031 at a 2.9% interest rate.

The 2016 OWDA Wastewater Treatment Plant Loan #7289 is a combination of two loans and relates to an upgrade in the sewer plant within the Village. The first #7289 loan is a \$3,003,069.85 principal at a .75% interest rate with a July 1, 2017 through January 1, 2047 payment schedule. The seconded OWDA WWTP Improvement Phase I loan #7289 is a \$380,814 principal at a 2.75% interest rate with the same July 1, 2017 through January 1, 2047 payment schedule.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

(Continued)

Note 6 – Debt (Continued)

Amortization

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	\$108,365	\$326,704	\$235,000	\$60,000	\$189,250	\$919,319
2016	\$108,365	378,166	250,000	60,000	204,250	\$1,000,781
2017	\$108,365	381,069	195,000	60,000	149,250	\$893,684
2018	\$108,365	384,024	205,000	65,000	159,250	\$921,639
2019	\$103,390	387,032	210,000	65,000	164,250	\$929,672
2020-2024	401,442	1,819,938	1,150,000	375,000	746,250	\$4,492,630
2025-2029	321,952	972,179	1,370,000	455,000	581,250	\$3,700,380
2030-2034	321,952	704,591	355,000	465,000	67,375	\$1,913,917
2035-2039	307,581	601,252	0	0	0	\$908,833
2040-2045	105,628	697,450	0	0	0	\$803,078
Total	\$1,995,404	\$6,652,404	\$3,970,000	\$1,605,000	\$2,261,125	\$16,483,933

Note 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, 2016, the custodian trustee held \$223,332 in Village assets.

Note 8 – Retirement Systems

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. The Ohio Revised Code also prescribes contribution rates. For 2016, OP&F participants contributed 12.25% of their wages. For 2016, 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 2016, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

Note 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.

Note 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.

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**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
Brown County
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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Village of Mt. Orab, Brown County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated July 5, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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. 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LINDHOLM + COMPANY

Worthington, Ohio

July 5, 2017



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
OCTOBER 10, 2017**