

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

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Mt. Orab, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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Mary Taylor, CPA
Auditor of State

September 27, 2010

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

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Village of Mt. Orab, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or their changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2010, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Cincinnati, Ohio
June 15, 2010

VILLAGE OF MT ORAB
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Local Taxes	\$ 58,055	\$ 251,078	\$ -	\$ -	\$ 309,133
Municipal Income Tax	751,282	-	-	-	751,282
Intergovernmental	65,465	302,551	-	-	368,016
Special Assessments	-	-	106,805	-	106,805
Payments in Lieu of Taxes	-	371,525	-	-	371,525
Charges for Services	264	480,544	-	-	480,808
Fines, Licenses and Permits	187,574	1,530	-	20,293	209,397
Earnings on Investments	2,233	23	-	-	2,256
Miscellaneous	929	107	-	-	1,036
	<u>1,065,802</u>	<u>1,407,358</u>	<u>106,805</u>	<u>20,293</u>	<u>2,600,258</u>
<i>Cash Disbursements:</i>					
Current:					
General Government	222,019	47,691	1,745	-	271,455
Security of Person and Property	661,085	706,660	-	15,925	1,383,670
Leisure Time Activities	8,497	23,068	-	-	31,565
Community Environment	46,713	-	-	-	46,713
Transportation	103,305	339,155	-	669,386	1,111,846
Capital Outlay	-	-	-	1,943	1,943
Debt Service:					
Redemption of Principal	-	98,516	693,906	-	792,422
Interest and Fiscal Charges	-	33,281	17,063	-	50,344
	<u>1,041,619</u>	<u>1,248,371</u>	<u>712,714</u>	<u>687,254</u>	<u>3,689,958</u>
Receipts Over (Under) Disbursements	<u>24,183</u>	<u>158,987</u>	<u>(605,909)</u>	<u>(666,961)</u>	<u>(1,089,700)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from OPWC Loan	-	-	-	149,395	149,395
Proceeds from Notes	-	-	592,000	925,000	1,517,000
Proceeds from Sale of Fixed Assets	-	120	-	-	120
Transfers-In	-	-	144,000	-	144,000
Transfers-Out	-	(144,000)	-	-	(144,000)
Advances-In	7,300	7,300	-	-	14,600
Advances Out	(7,300)	(7,300)	-	-	(14,600)
Other Financing Sources	754	1,380	-	-	2,134
Other Financing Uses	(17,310)	(220)	-	-	(17,530)
	<u>(16,556)</u>	<u>(142,720)</u>	<u>736,000</u>	<u>1,074,395</u>	<u>1,651,119</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	7,627	16,267	130,091	407,434	561,419
Fund Cash Balances, January 1	<u>323,516</u>	<u>593,809</u>	<u>92,831</u>	<u>39,590</u>	<u>1,049,746</u>
Fund Cash Balances, December 31	<u>\$ 331,143</u>	<u>\$ 610,076</u>	<u>\$ 222,922</u>	<u>\$ 447,024</u>	<u>\$ 1,611,165</u>

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

**VILLAGE OF MT ORAB
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<i>Operating Cash Receipts:</i>				
Charges for Services	\$ 2,063,583	\$ 25,000	\$ -	\$ 2,088,583
Miscellaneous	8,940	23	-	8,963
Total Operating Cash Receipts	2,072,523	25,023	-	2,097,546
<i>Operating Cash Disbursements:</i>				
Personal Services	377,239	-	-	377,239
Fringe Benefits	150,109	4,399	-	154,508
Contractual Services	824,778	-	-	824,778
Materials and Supplies	173,785	-	-	173,785
Total Operating Cash Disbursements	1,525,911	4,399	-	1,530,310
Operating Income	546,612	20,624	-	567,236
<i>Non-Operating Cash Receipts:</i>				
Proceeds from OWDA Loan	208,023	-	-	208,023
Proceeds from Notes	165,000	-	-	165,000
Proceeds from Sale of Fixed Assets	120	-	-	120
Other Non-Operating Receipts	-	-	261,146	261,146
Total Non-Operating Cash Receipts	373,143	-	261,146	634,289
<i>Non-Operating Cash Disbursements:</i>				
Redemption of Principal	606,825	-	-	606,825
Interest and Other Fiscal Charges	114,787	-	-	114,787
Capital Outlay	232,108	-	-	232,108
Other Non-Operating Disbursements	1,610	-	260,925	262,535
Total Non-Operating Cash Disbursements	955,330	-	260,925	1,216,255
Excess of Receipts Over Disbursements Before Transfers and Advances	(35,575)	20,624	221	(14,730)
Transfers-In	208,000	-	-	208,000
Transfers-Out	(208,000)	-	-	(208,000)
Net Receipts Over (Under) Disbursements	(35,575)	20,624	221	(14,730)
Fund Cash Balances, January 1	551,052	129,022	218	680,292
Fund Cash Balances, December 31	\$ 515,477	\$ 149,646	\$ 439	\$ 665,562

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

VILLAGE OF MT ORAB
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Local Taxes	\$ 51,687	\$ 254,089	\$ -	\$ -	\$ 305,776
Municipal Income Tax	817,760	-	-	-	817,760
Intergovernmental	166,543	267,390	-	-	433,933
Special Assessments	-	-	61,755	-	61,755
Payments in Lieu of Taxes	-	256,322	-	-	256,322
Charges for Services	680	462,018	-	-	462,698
Fines, Licenses and Permits	170,528	4,514	-	28,246	203,288
Earnings on Investments	60,260	1,015	-	-	61,275
Miscellaneous	9,857	166,005	-	-	175,862
Total Cash Receipts	1,277,315	1,411,353	61,755	28,246	2,778,669
<i>Cash Disbursements:</i>					
Current:					
General Government	241,750	47,502	-	-	289,252
Security of Person and Property	686,641	703,001	-	18,085	1,407,727
Leisure Time Activities	29,557	28,481	-	12,355	70,393
Community Environment	57,923	-	-	-	57,923
Transportation	211,909	356,651	-	1,580	570,140
Capital Outlay	-	10,550	-	8,483	19,033
Debt Service:					
Redemption of Principal	-	119,880	678,789	-	798,669
Interest and Fiscal Charges	-	43,226	30,737	-	73,963
Total Cash Disbursements	1,227,780	1,309,291	709,526	40,503	3,287,100
Receipts Over (Under) Disbursements	49,535	102,062	(647,771)	(12,257)	(508,431)
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Notes	-	-	592,000	-	592,000
Proceeds from Sale of Fixed Assets	-	446	-	-	446
Transfers-In	-	-	93,600	-	93,600
Transfers-Out	-	(93,600)	-	-	(93,600)
Other Financing Sources	3,937	14,858	-	-	18,795
Other Financing Uses	(9,478)	-	-	-	(9,478)
Total Other Financing Receipts (Disbursements)	(5,541)	(78,296)	685,600	-	601,763
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	43,994	23,766	37,829	(12,257)	93,332
Fund Cash Balances, January 1	279,522	570,043	55,002	51,847	956,414
Fund Cash Balances, December 31	<u>\$ 323,516</u>	<u>\$ 593,809</u>	<u>\$ 92,831</u>	<u>\$ 39,590</u>	<u>\$ 1,049,746</u>

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

**VILLAGE OF MT ORAB
BROWN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<i>Operating Cash Receipts:</i>				
Charges for Services	\$ 2,073,710	\$ -	\$ -	\$ 2,073,710
Miscellaneous	3,603	-	-	3,603
Total Operating Cash Receipts	2,077,313	-	-	2,077,313
<i>Operating Cash Disbursements:</i>				
Personal Services	403,179	-	-	403,179
Fringe Benefits	132,770	10,711	-	143,481
Contractual Services	907,209	-	-	907,209
Materials and Supplies	175,743	-	-	175,743
Total Operating Cash Disbursements	1,618,901	10,711	-	1,629,612
Operating Income	458,412	(10,711)	-	447,701
<i>Non-Operating Cash Receipts:</i>				
Proceeds from OWDA Loan	2,295,052	-	-	2,295,052
Proceeds from Notes	175,000	-	-	175,000
Proceeds from Sale of Fixed Assets	7,353	-	-	7,353
Other Non-Operating Receipts	-	-	248,132	248,132
Total Non-Operating Cash Receipts	2,477,405	-	248,132	2,725,537
<i>Non-Operating Cash Disbursements:</i>				
Redemption of Principal	550,903	-	-	550,903
Interest and Other Fiscal Charges	125,134	-	-	125,134
Capital Outlay	2,417,716	-	-	2,417,716
Other Non-Operating Disbursements	2,663	-	248,126	250,789
Total Non-Operating Cash Disbursements	3,096,416	-	248,126	3,344,542
Excess of Receipts Over Disbursements Before Transfers and Advances	(160,599)	(10,711)	6	(171,304)
Transfers-In	278,770	-	-	278,770
Transfers-Out	(278,770)	-	-	(278,770)
Net Receipts Over (Under) Disbursements	(160,599)	(10,711)	6	(171,304)
Fund Cash Balances, January 1	711,651	139,733	212	851,596
Fund Cash Balances, December 31	\$ 551,052	\$ 129,022	\$ 218	\$ 680,292

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, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mt. Orab, Brown County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected, six-member Council directs the Village. The Village provides general government services, public safety, recreation, street maintenance, water and sewer utilities, and garbage services. During 2008 the Village assumed the operations of the Mt. Orab Volunteer Fire & EMS Services, a non-profit corporation, to provide fire protection and emergency medical services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 11 to the financial statements.

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Investments in STAR Ohio (the State Treasurer's investment pool) are recorded at share values reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

2. Special Revenue Funds

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

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

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

Police Security Fund - This fund receives funds from Western Brown Local School District for providing police protection services to the District.

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

TIF District 1-3 Fund - This fund receives proceeds from 10 year tax incremental funding agreements. The Village retains 75 percent for debt service and 25 percent is paid to other taxing entities.

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

3. Debt Service Funds

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

68/32 Project Final Assessment Debt Fund – This fund receives tax assessments for the purpose of road and sewer improvements through 2019.

TIF Bond Anticipation Note Fund – This fund is for making payments of principal and interest on notes, and receives note proceeds for funding ongoing parks and street improvement projects within the tax incremental funding districts of the Village.

4. Capital Project Funds

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

Apple Street Road Extension Fund – This fund receives debt proceeds for the funding of improvements to Apple Street Road as part of the Kroger building expansion.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

5. Proprietary Funds

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

Enterprise Funds

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

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

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

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

Internal Service Fund

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

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

6. Fiduciary Fund (Agency Fund)

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

Agency Fund – This fund receives fines collected by Mayor’s Court which are distributed to the Village and State.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2009	2008
Demand deposits	\$1,490,158	\$ 943,875
Certificates of Deposit	639,000	639,000
Total deposits	2,129,158	1,582,875
Star Ohio	147,569	147,163
Total investments	147,569	147,163
Total deposits and investments	\$2,276,727	\$1,730,038

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 1,066,356	\$ 1,073,856	\$ 7,500
Special Revenue	1,374,018	1,416,158	42,140
Debt Service	842,805	842,805	-
Capital Projects	945,293	1,094,688	149,395
Enterprise	2,631,369	2,653,666	22,297
Internal Service	22	25,023	25,001
Total	\$ 6,859,863	\$ 7,106,196	\$ 246,333

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,296,229	\$ 1,066,229	\$ 230,000
Special Revenue	1,616,077	1,399,891	216,186
Debt Service	814,002	712,714	101,288
Capital Projects	907,766	687,254	220,512
Enterprise	3,038,905	2,689,241	349,664
Internal Service	60,000	4,399	55,601
Total	<u>\$ 7,732,979</u>	<u>\$ 6,559,728</u>	<u>\$ 1,173,251</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,263,194	\$ 1,281,252	\$ 18,058
Special Revenue	1,389,671	1,426,657	36,986
Debt Service	747,355	747,355	-
Capital Projects	28,235	28,246	11
Enterprise	4,830,157	4,833,488	3,331
Total	<u>\$ 8,258,612</u>	<u>\$ 8,316,998</u>	<u>\$ 58,386</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,438,846	\$ 1,237,258	\$ 201,588
Special Revenue	1,561,543	1,402,891	158,652
Debt Service	758,526	709,526	49,000
Capital Projects	69,904	40,503	29,401
Enterprise	5,177,468	4,994,087	183,381
Internal Service	60,000	10,711	49,289
Total	<u>\$ 9,066,287</u>	<u>\$ 8,394,976</u>	<u>\$ 671,311</u>

4. PROPERTY TAX

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

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

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

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1993 Ohio Water Development Authority Loan	\$ 429,848	2.00%
1997 First Mortgage Water Revenue Bonds	345,000	4.65-5.5%
1999 Various Purpose General Obligation Bonds	465,000	4.65-5.2%
2000 Wastewater Treatment Plant Improvement OPWC Loan	52,238	0.00%
2001 Road Improvement Special Assessment Bonds	100,000	4.4-5.25%
2002 First Mortgage Waterworks System Revenue Bonds	870,000	5.00%
2002 Ohio Public Works Commission Reservoir Loan	180,000	0.00%
2003 OPWC Phase 1 High Street Improvement Loan	168,113	0.00%
2004 OPWC Phase 2 High Street Improvement Loan	179,873	0.00%
2004 OWDA Water Treatment Plant Upgrade Loan	1,421,052	2.00%
2007 OWDA Waste Water Treatment Plant Improvement Loan	2,675,485	0.00%
2009 Various Purpose Bond Anticipation Note	592,000	3.45%
2009 OPWC Apple Street Expansion Loan	149,395	0.00%
2009 Water Purchase Rights Note Renewal #5	165,000	3.00%
2009 Bond Anticipation Note-Street Kroger TIF	600,000	3.25%
2009 Bond Anticipation Note-Real Estate Kroger TIF	325,000	3.20%
Total	<u>\$ 8,718,004</u>	

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

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

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

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

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

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 First Mortgage Waterworks System Revenue Bonds were used to refund previously issued Water Reservoir Bond Anticipation Notes that were used to create a water reservoir. The Bonds were issued in a total amount of \$1,165,000 and are payable in varying amounts through 2022. The Village has agreed to various bond covenants, including establishing Reserve Accounts with a Bond Trustee, and to set utility rates sufficient to maintain net income at 125% of maximum annual debt service requirements. See related Trustee note disclosure included in Note 11.

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

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

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

The 2004 Ohio Water Development Authority Water Treatment Plant Upgrade Loan relates to upgrades

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

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

The 2007 Ohio Water Development Authority Phase 1 Pump Station Waste Water Treatment Plant Improvement Loan relates to upgrades to the Village's water treatment plant. The OWDA approved a no interest loan of up to \$3,079,637 to the Village for this project. As of December 31, 2009, the loan is in an "open" status. Additions to project expenditures totaled \$387,777 during 2007, \$2,295,052 during 2008, and \$208,023 during 2009. During 2008 and 2009, the Village began making payments based on an interim loan schedule and retired \$215,367 of the loan.

The 2009 \$592,000 Various Purpose Bond Anticipation Note, Third (2009) Renewal is dated April 1, 2009 and matures March 31, 2010 and carries an interest rate of 3.45%. The 2009 Note was the third renewal of the original note issued in 2006 to provide funding for various street and drainage improvements and improvements to various recreational facilities within the Village.

The 2009 Ohio Public Works Commission Apple Street Expansion Loan relates to a street improvement project within the Village. The OPWC has approved a \$300,000 interest free loan to the Village. Project expenditures during 2009 totaled \$149,395. Repayment terms as of December 31, 2009 have not been established by OPWC.

The 2009 \$165,000 Water Purchase Rights # 5 Renewal Note is dated October 29, 2009 and matures October 29, 2010 and carries an interest rate of 3.00%. The 2009 Note was the fifth annual renewal of an original note issued in 2004 for \$175,000 for the purpose of acquiring water purchase rights for the Village. During 2009, \$10,000 of the renewed note was retired.

The 2009 \$600,000 Street Improvement-Kroger TIF Bond Anticipation Note is dated May 12, 2009 and matures May 12, 2010 and carries an interest rate of 3.25%. The Note was issued for street improvements related to a TIF district.

The 2009 \$325,000 Real Estate Acquisition and Street Improvement-Kroger TIF Bond Anticipation Note is dated December 28, 2009 and matures December 28, 2010 and carries an interest rate of 3.20%. The Note was issued for real estate acquisition and street improvements related to a TIF district.

In addition to the above items, the Village assumed certain debts when the operations of the Mt. Orab Volunteer Fire & EMS Services, a non-profit corporation, were assumed by the Village during 2008. The Village assumed a \$338,636 capital lease for a fire truck and a bank note of \$60,110. The bank note was retired during 2008 and 2009. See notes 7 and 13 for additional information.

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

Amortization of the above remaining debt and interest (for long-term debt items where a formal retirement schedule has been established by the lending organization) is scheduled as follows:

Year ending December 31:	1999					
	1993 OWDA Loan	1997 Water Revenue Bonds	Various Purpose Bonds	2000 OPWC Loan	2001 Road Improvement Bonds	2002 Revenue Bonds
2010	\$ 148,339	128,808	61,942	\$ 4,975	\$ 10,040	\$ 94,337
2011	148,339	127,867	60,003	4,975	9,815	92,088
2012	148,339	126,600	63,042	4,975	9,585	94,763
2013	-	-	60,793	4,975	9,350	92,150
2014	-	-	58,520	4,975	14,110	94,331
2015-2019	-	-	243,860	24,875	63,020	467,875
2020-2024	-	-	-	2,488	21,575	282,300
2025	-	-	-	-	-	-
Total	<u>\$ 445,017</u>	<u>\$ 383,275</u>	<u>\$ 548,160</u>	<u>\$ 52,238</u>	<u>\$ 137,495</u>	<u>\$ 1,217,844</u>

Year ending December 31:	2004				
	2002 OPWC Loan	2003 OPWC Loan	2004 OPWC Loan	2004 OWDA Loan	Total (*)
2010	\$ 15,000	\$ 12,008	\$ 11,992	\$ 107,078	\$ 594,519
2011	15,000	12,008	11,992	107,078	589,165
2012	15,000	12,008	11,992	107,078	593,382
2013	15,000	12,008	11,992	107,078	313,346
2014	15,000	12,008	11,992	107,078	318,014
2015-2019	75,000	60,041	59,957	535,390	1,530,018
2020-2024	30,000	48,032	59,956	535,390	979,741
2025	-	-	-	53,539	53,539
Total	<u>\$ 180,000</u>	<u>\$ 168,113</u>	<u>\$ 179,873</u>	<u>\$1,659,709</u>	<u>\$ 4,971,724</u>

(*) Excludes amounts related to the 2007 Ohio Water Development Authority Treatment Plant Improvement Loan, the 2009 OPWC Apple Street Expansion Loan, and short-term notes.

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. CAPITAL LEASE

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

<u>Year ending December 31,</u>	<u>Amount</u>
2010	\$ 57,256
2011	57,256
2012	57,256
2013	57,256
2014	<u>57,256</u>
Total minimum lease payments	286,280
Less: amount representing interest	<u>(35,902)</u>
Present value of future minimum lease payments	<u>\$250,378</u>

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 24 percent of fire participant wages and 19.5 percent of police participant wages. OPERS members contributed 10.0 percent for 2009 and 2008. The Village contributed an amount equal to 14.0 percent for 2009 and 2008. The Village has paid all contributions required through December 31, 2009.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

10. TRANSFERS AND ADVANCES

During 2009 and 2008 transfers were made from a tax increment financing fund to a debt service fund for the retirement of related debt. Transfers in the enterprise funds for 2009 and 2008 were provided from enterprise operating funds to enterprise debt service funds to cover debt retirement payments.

During 2009 an advance was made from the General Fund to a tax increment financing fund to provide operating funds. The advance was subsequently returned.

11. DEBT SERVICE TRUST FUNDS

The 1997 First Mortgage Water Revenue Bonds Trust agreement required the Village to establish various funds to be maintained by a custodian bank. The Village has established these funds. At December 31, 2009, the custodian held \$199,132 in Village assets.

The 2002 First Mortgage Revenue Bonds Trust Agreement required the Village to establish various funds to be maintained by a custodian bank. The Village has established these funds. At December 31, 2009, the custodian held \$101,734 in Village assets.

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

12. RELATED ORGANIZATION

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

13. ESTABLISHMENT OF FIRE AND EMS DEPARTMENT

During 2008 the Village assumed the operations of the Mt. Orab Volunteer Fire & EMS Services, a non-profit corporation. The Village assumed \$398,746 in debt and capital leases (see Notes 6 and 7). In addition, the Village received \$160,000 in cash from the non-profit corporation during 2008 which is reflected within miscellaneous receipts in the special revenue fund type.

14. COMPLIANCE

The Village's contracts with townships to provide ambulance or emergency medical services are not in compliance with Ohio Revised Code Section 505.44. In addition, the Village's procedures for payment of fees to townships that were collected by the Village for services rendered to township residents are not in compliance with Ohio Revised Code Sections 9.38 and 505.84.

Bastin & Company, LLC

Certified Public Accountants

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

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

We have audited the financial statements of the Village of Mt. Orab, Brown County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 15, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2009-01.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, express no opinion on it.

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

Bastin & Company, LLC

Cincinnati, Ohio
June 15, 2010

**VILLAGE OF MT. ORAB
BROWN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-01

During 2008 the Village assumed the operations of the Mt. Orab Volunteer Fire & EMS Services, a non-profit corporation. As part of assuming the operation, contracts between the Village and certain neighboring townships were entered into to provide ambulance or emergency medical services to cover township residents.

The contracts between the Village and townships are not in compliance with Ohio Revised Code Section 505.44 as further evidenced by Opinion No. 2003-017, dated May 19, 2003 from the Office of the Attorney General, State of Ohio.

Ohio Revised Code Section 505.44 states that a board of township trustees may procure ambulance or emergency medical services from a village by means of a contract that provides for the payment of a fixed annual charge, plus moneys received from billings of township users of the ambulance or emergency medical services, only if the payment of moneys received from billings is included in the fixed annual charge or is structured in terms of a stipulated price for each run, call, or emergency, or the elapsed time of service required in such run, call, or emergency, or a combination of these types of payments. The Attorney General's Opinion further states that any other arrangement for paying the village moneys received from billings of township users falls outside the authority granted by R.C. 505.44 and are not permitted.

The Attorney General's Opinion further states that when a board of township trustees procures ambulance or emergency medical services from a village and authorizes the village to bill township users and collect fees for the use of the services, the village is required by Ohio Revised Code Section 9.38 and 505.84 to turn those fees over to the township for deposit in the ambulance and emergency medical services fund.

The contracts between the Village and townships that became effective after the assumption of operations for ambulance or emergency medical services did not comply with the requirements of Ohio Revised Code Section 505.44. Furthermore, due to the Village's retention of amounts collected for services rendered to township residents which is provided by the contractual agreements, the Village is not in compliance with Ohio Revised Code Sections 9.38 and 505.84 that require collected fees to be turned over to the townships for deposit.

We recommend that the Village, in conjunction with legal counsel, consider the ramifications of the relevant Ohio Revised Code Sections and take action to bring the Village into compliance. Failure to comply may make the Village subject to findings for adjustment or recovery for past and/or future activities.

Village's Response

The Village became aware of the situation during 2010 and as a result is working with legal counsel, who is in the process of obtaining modified contracts intended to comply with the applicable sections of the Ohio Revised Code. The Village further believes that due to the structure of the contracts currently in place, no "net" moneys are due to the townships being provided ambulance or emergency medical services since amounts that would have been required to be paid to townships under Ohio Revised Code Sections 9.38 and 505.84 would ultimately have been recovered by the Village had the structure of the contracts been initially established in compliance with Ohio Revised Code Section 505.44. The Village intends to modify its contracts and establish procedures going forward that will ultimately provide for specific compliance with the ORC.

**VILLAGE OF MT. ORAB
BROWN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2007-01	Appropriations exceeded estimated resources noncompliance citation ORC Section 5705.39	Yes	Condition not noted during current audit period.

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Mary Taylor, CPA
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 7, 2010**