

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

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**



**Auditor of State
Betty Montgomery**

Honorable Members of Village Council
Village of Mt. Orab
142 North Main Street
Mt. Orab, Ohio 45882

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, 2003 through December 31, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 25, 2006

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2004.....	3
Combined Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type For the Year Ended December 31, 2004.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2003.....	5
Combined Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type For the Year Ended December 31, 2003.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Schedule of Prior Year Findings.....	20

This Page is Intentionally Left Blank.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Mt. Orab
142 North Main Street
Mt. Orab, Ohio 45882

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, 2004 and 2003. 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the 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 year ended December 31, 2004 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, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 22, 2006, 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 22, 2006

**VILLAGE OF MT. ORAB
BROWN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property Taxes	\$ 95,876	\$306,482	\$ -	\$ -	\$ 402,358
Municipal Income Tax	594,949	-	-	-	594,949
Intergovernmental Receipts	107,828	144,293	-	-	252,121
Special Assessment	375	-	84,708	-	85,083
Charges for Services	93,845	28,178	-	-	122,023
Fines, Licenses and Permits	74,450	3,713	-	11,621	89,784
Earnings on Investments	7,475	230	-	-	7,705
Miscellaneous	3,000	-	-	-	3,000
Total Cash Receipts	977,798	482,896	84,708	11,621	1,557,023
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	429,732	287,061	-	5,726	722,519
Leisure Time Activities	41,755	-	-	-	41,755
Community Environment	29,979	-	-	-	29,979
Transportation	133,217	97,242	-	-	230,459
General Government	191,114	6,563	-	-	197,677
Capital Outlay	278,415	5,830	-	446,901	731,146
Debt Service:					
Principal Payments	6,004	6,004	5,000	-	17,008
Interest and Fiscal Charges	-	-	21,766	-	21,766
Total Cash Disbursements	1,110,216	402,700	26,766	452,627	1,992,309
Total Receipts Over (Under)					
Disbursements	(132,418)	80,196	57,942	(441,006)	(435,286)
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Notes	-	-	-	150,000	150,000
Proceeds from OPWC Loan	-	-	-	239,830	239,830
Advances-In	127,000	-	-	-	127,000
Advances-Out	-	-	-	(127,000)	(127,000)
Operating Transfers - In	-	-	-	4,084	4,084
Operating Transfers - Out	(4,084)	-	-	-	(4,084)
Proceeds from Sale of Fixed Assets	11,755	-	-	-	11,755
Other Financing Sources	3,157	-	-	-	3,157
Other Financing Uses	(4,345)	-	-	-	(4,345)
Total Other Financing Receipts (Disbursements)	133,483	-	-	266,914	400,397
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	1,065	80,196	57,942	(174,092)	(34,889)
Fund Cash Balance, January 1, 2004	191,531	227,196	48,817	194,762	662,306
Fund Cash Balance, December 31, 2004	\$ 192,596	\$307,392	\$106,759	\$ 20,670	\$ 627,417
Reserves for Encumbrances, December 31, 2004	\$ 75,389	\$ 9,512	\$ -	\$ -	\$ 84,901

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MT. ORAB
BROWN COUNTY
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>				
Charges for Services	<u>\$1,924,053</u>	<u>\$28,880</u>	\$ -	<u>\$1,952,933</u>
Total Operating Cash Receipts	<u>1,924,053</u>	<u>28,880</u>	-	<u>1,952,933</u>
<i>Operating Cash Disbursements:</i>				
Personal Services	338,407	-	-	338,407
Fringe Benefits	103,087	-	-	103,087
Contractual Services	998,317	-	-	998,317
Materials and Supplies	157,518	-	-	157,518
Capital Outlay	<u>575,657</u>	-	-	<u>575,657</u>
Total Operating Cash Disbursements	<u>2,172,986</u>	-	-	<u>2,172,986</u>
Operating Income (Loss)	<u>(248,933)</u>	<u>28,880</u>	-	<u>(220,053)</u>
<i>Non-Operating Cash Receipts/Disbursements:</i>				
Proceeds from OWDA Loan	535,451	-	-	535,451
Proceeds from Notes	175,000	-	-	175,000
Debt Service - Principal	(293,024)	-	-	(293,024)
Debt Service - Interest and Fiscal Charges	(123,942)	-	-	(123,942)
Proceeds from Sale of Fixed Assets	11,100	-	-	11,100
Special Assessments	4,237	-	-	4,237
Other Financing Sources	7,161	-	-	7,161
Other Financing Uses	(10,121)	-	-	(10,121)
Other Non-Operating Receipts	-	-	108,005	108,005
Other Non-Operating Disbursements	-	-	<u>(108,131)</u>	<u>(108,131)</u>
Total Non-Operating Receipts/Disbursements	<u>305,862</u>	-	<u>(126)</u>	<u>305,736</u>
Excess of Receipts over (Under) Disbursements Before Interfund Transfers	56,929	28,880	(126)	85,683
Operating Transfers - In	159,000	-	-	159,000
Operating Transfers - Out	<u>(159,000)</u>	-	-	<u>(159,000)</u>
Net Cash Receipts Over (Under) Cash Disbursements	56,929	28,880	(126)	85,683
Fund Cash Balance, January 1, 2004	<u>511,754</u>	-	<u>262</u>	<u>512,016</u>
Fund Cash Balance, December 31, 2004	<u>\$ 568,683</u>	<u>\$28,880</u>	<u>\$ 136</u>	<u>\$ 597,699</u>
Reserves for Encumbrances, December 31, 2004	<u>\$ 26,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,077</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MT. ORAB
BROWN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property Taxes	\$ 64,378	\$251,007	\$ -	\$ -	\$ 315,385
Municipal Income Tax	549,007	-	-	-	549,007
Intergovernmental Receipts	91,696	179,089	-	42,500	313,285
Special Assessments	-	-	69,186	-	69,186
Charges for Services	100	33,840	-	-	33,940
Fines, Licenses and Permits	78,022	1,310	-	12,854	92,186
Earnings on Investments	6,941	72	-	-	7,013
Miscellaneous	14,416	-	-	-	14,416
Total Cash Receipts	804,560	465,318	69,186	55,354	1,394,418
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	406,221	269,370	-	-	675,591
Public Health Services	934	-	-	-	934
Leisure Time Activities	-	6,978	-	-	6,978
Community Environment	22,728	-	-	-	22,728
Transportation	214,991	80,029	-	-	295,020
General Government	130,379	4,794	-	-	135,173
Capital Outlay	40,924	28,031	-	241,162	310,117
Debt Service:					
Principal Payments	-	-	35,000	-	35,000
Interest and Fiscal Charges	-	-	44,503	-	44,503
Total Cash Disbursements	816,177	389,202	79,503	241,162	1,526,044
Total Receipts Over (Under)					
Disbursements	(11,617)	76,116	(10,317)	(185,808)	(131,626)
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from OPWC Loan	-	-	-	240,162	240,162
Operating Transfers - In	-	2,179	7,343	-	9,522
Operating Transfers - Out	(2,179)	-	-	(7,343)	(9,522)
Other Financing Sources	3,396	-	3,292	1,000	7,688
Other Financing Uses	(14,061)	-	-	-	(14,061)
Total Other Financing Receipts (Disbursements)	(12,844)	2,179	10,635	233,819	233,789
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	(24,461)	78,295	318	48,011	102,163
Fund Cash Balance, January 1, 2003	215,992	148,901	48,499	146,751	560,143
Fund Cash Balance, December 31, 2003	\$191,531	\$227,196	\$48,817	\$194,762	\$ 662,306
Reserves for Encumbrances, December 31, 2003	\$ 19,351	\$ 2,603	\$ -	\$ -	\$ 21,954

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MT. ORAB
BROWN COUNTY
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary <u>Fund Type</u>	Fiduciary <u>Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	<u>\$1,830,603</u>	\$ _____ -	<u>\$1,830,603</u>
Total Operating Cash Receipts	<u>1,830,603</u>	_____ -	<u>1,830,603</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	304,900	-	304,900
Fringe Benefits	97,762	-	97,762
Contractual Services	745,534	-	745,534
Materials and Supplies	148,938	-	148,938
Capital Outlay	<u>231,647</u>	_____ -	<u>231,647</u>
Total Operating Cash Disbursements	<u>1,528,781</u>	_____ -	<u>1,528,781</u>
Operating Income	<u>301,822</u>	_____ -	<u>301,822</u>
<i>Non-Operating Cash Receipts/Disbursements:</i>			
Debt Service - Principal	(261,366)	-	(261,366)
Debt Service - Interest and Fiscal Charges	(135,079)	-	(135,079)
Special Assessments	3,830	-	3,830
Other Financing Sources	5,633	-	5,633
Other Financing Uses	(2,618)	-	(2,618)
Other Non-Operating Receipts	-	98,371	98,371
Other Non-Operating Disbursements	_____ -	<u>(100,747)</u>	<u>(100,747)</u>
Total Non-Operating Receipts/Disbursements	<u>(389,600)</u>	<u>(2,376)</u>	<u>(391,976)</u>
Excess of Receipts over (Under) Disbursements Before Interfund Transfers	<u>(87,778)</u>	<u>(2,376)</u>	<u>(90,154)</u>
Operating Transfers - In	159,000	-	159,000
Operating Transfers - Out	<u>(159,000)</u>	_____ -	<u>(159,000)</u>
Net Cash Receipts Over (Under) Cash Disbursements	<u>(87,778)</u>	<u>(2,376)</u>	<u>(90,154)</u>
Fund Cash Balance, January 1, 2003	<u>599,532</u>	<u>2,638</u>	<u>602,170</u>
Fund Cash Balance, December 31, 2003	<u>\$ 511,754</u>	<u>\$ 262</u>	<u>\$ 512,016</u>
Reserves for Encumbrances, December 31, 2003	<u>\$ 90,662</u>	<u>\$ _____ -</u>	<u>\$ 90,662</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mt. Orab, Brown County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general government services, including public safety, health, recreation, street maintenance, water and sewer utilities, and police services. The Village contracts with the Mt. Orab Fire Department 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 9 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.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

2. Special Revenue Funds

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

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

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

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

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:

McDonalds/Shell Assessment Traffic Light Fund – This fund receives tax assessments for the purpose of road improvements.

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

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:

Brooks-Malott Project Fund – This fund receives Ohio Public Works Commission (OPWC) monies for street improvements.

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:

VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

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

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

Water Reservoir Project Fund - This fund receives Ohio Public Works Commission (OPWC) monies for creation of a water reservoir.

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:

Employee Insurance Fund – This fund was established in 2004 and is used to account for the costs associated with the employee health insurance plan for the Village.

6. Fiduciary Fund (Agency Fund)

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

Mayor's Court Fund – This fund receives monies from the Mayor's Court, which is distributed to the State and Village.

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 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.

**VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)**

3. Encumbrances

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

A summary of 2004 and 2003 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 vacation and sick 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.

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:

	2004	2003
Deposits:		
Demand deposits	\$ 953,808	\$ 906,442
Investments:		
Star Ohio	271,308	267,880
Total deposits and investments	\$1,225,116	\$1,174,322

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.

VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,109,958	\$1,119,710	\$9,752
Special Revenue	478,512	482,896	4,384
Debt Service	84,708	84,708	0
Capital Projects	405,535	405,535	0
Enterprise	2,813,774	2,816,002	2,228
Internal Service	0	28,880	28,880
Total	<u>\$4,892,487</u>	<u>\$4,937,731</u>	<u>\$45,244</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,273,645	\$1,194,034	\$79,611
Special Revenue	498,125	412,212	85,913
Debt Service	79,465	26,766	52,699
Capital Projects	588,095	579,627	8,468
Enterprise	3,094,878	2,785,150	309,728
Internal Service	0	0	0
Total	<u>\$5,534,208</u>	<u>\$4,997,789</u>	<u>\$536,419</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$804,273	\$807,956	\$3,683
Special Revenue	466,093	467,497	1,404
Debt Service	79,821	79,821	0
Capital Projects	296,516	296,516	0
Enterprise	2,007,073	1,999,066	(8,007)
Total	<u>\$3,653,776</u>	<u>\$3,650,856</u>	<u>(\$2,920)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$970,869	\$851,768	\$119,101
Special Revenue	430,984	391,805	39,179
Debt Service	79,503	79,503	0
Capital Projects	422,182	248,505	173,677
Enterprise	2,436,445	2,177,506	258,939
Total	<u>\$4,339,983</u>	<u>\$3,749,087</u>	<u>\$590,896</u>

VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

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

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

VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1993 Ohio Water Development Authority Loan	\$1,078,279	2.00%
1996 Sewer Line Extension Special Assessment Bonds	5,000	5.25%
1997 First Mortgage Water Revenue Bonds	820,000	4.90%
1999 Various Purpose General Obligation Bonds	630,000	4.62%
2000 Wastewater Treatment Plant Improvement OPWC Loan	77,112	0.00%
2001 Road Improvement Special Assessment Bonds	125,000	4.90%
2002 Series First Mortgage Waterworks System Revenue Bonds	1,085,000	5.00%
2002 Ohio Public Works Commission Reservoir Loan	255,000	0.00%
2003 OPWC Phase 1 Street Improvement Loan	228,154	0.00%
2004 OPWC Phase 1 High Street Improvement Loan	239,830	0.00%
2004 OWDA Water Treatment Plant Upgrade Loan	535,451	2.00%
2004 Water Purchase Right Note	175,000	2.35%
2004 Building Acquisition Note	150,000	1.85%
Total	<u><u>\$5,403,826</u></u>	

The 1993 Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$74,170, including interest, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 1996 Sewer Line Extension Special Assessment Bonds were used to extend sewer lines and are payable over a ten-year period. These will be repaid via assessments levied against property owners.

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, purchase water system improvements, etc. The Village has agreed to various bond covenants, including establishing Reserve Accounts with 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 9.

The 1999 Various Purpose General Obligation Bonds were used for street improvements and sewer line extensions and are payable over a twenty-year period.

The 2000 Wastewater Treatment Plant Ohio Public Works Commissions Loan relates to a sewer plant improvement project. The loan will be repaid in semiannual installments of \$2,488 over 20 years.

The 2001 Road Improvement Special Assessment General Obligation Bonds were used to make improvements to State Route 68 and are payable over a twenty-one year period. These will be repaid via assessments levied against property owners.

VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

The 2002 First Mortgage Revenue Bonds were used to refund previously issued Water Reservoir Bond Anticipation Notes, which were used to create an up ground water reservoir. 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 9.

The 2002 Reservoir Ohio Public Works Commission Loan relates to the creation of an up ground water reservoir project. The loan will be repaid in annual installments of \$15,000 over 20 years.

The 2003 Ohio Public Works Commission Phase 1 Street Improvement Loan provided funding for a street improvement project within the Village. The loan will be repaid in annual installments of \$12,008.10 over 20 years.

The 2004 Ohio Public Works Commission Phase 1 High Street Improvement Loan provided funding for a street improvement project within the Village. The loan will be repaid in annual installments of \$11,991.50 over 20 years.

The 2004 Ohio Water Development Authority Water Treatment Plant Upgrade Loan provided funding for upgrades to the Village's water treatment plant. The loan will be repaid in semi-annual installments of \$53,539 beginning July 1, 2005 over 20 years with the last payment due January 1, 2025.

The 2004 Water Purchase Right Bond Anticipation Note provided partial funding for the costs of acquiring water purchase rights for the Village and matures on November 10, 2005 with total principal and interest due of \$179, 113.

The 2004 Building Acquisition Note provided partial funding of the cost of acquiring land and a building for Village offices and a park and matures on January 28, 2005 with total principal and interest due of \$152,775.

Amortization of the long-term debt, including interest, is scheduled as follows:

VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

Year ending December 31:	1993 OWDA Loan	1996 Sewer Line Special Assessment Bonds	1997 Water Revenue Bonds	1999 Various Purpose Bonds	2000 OPWC Loan	2001 Road Improvement Bonds
2005	\$148,339	\$3,266	\$128,548	\$61,028	\$4,974	\$11,073
2006	148,339	2,105	129,255	59,737	4,975	10,883
2007	148,339	-	129,665	63,417	4,975	10,683
2008	148,339	-	129,725	61,843	4,975	10,475
2009	148,339	-	129,425	60,232	4,975	10,260
2010-2014	445,017	-	383,275	304,385	24,875	52,900
2015-2019	-	-	-	302,383	24,875	63,020
2020-2024	-	-	-	-	2,488	21,575
2025	-	-	-	-	-	-
Total	<u>\$1,186,712</u>	<u>\$5,371</u>	<u>\$1,029,893</u>	<u>\$913,025</u>	<u>\$77,112</u>	<u>\$190,869</u>

Year ending December 31:	2002 Revenue Bonds	2002 OPWC Loan	2003 OPWC Loan	2004 OPWC Loan	2004 OWDA Loan	Total
2005	\$92,829	\$15,000	\$12,009	\$11,991	\$53,539	\$542,596
2006	91,488	15,000	12,008	11,992	107,078	592,860
2007	95,008	15,000	12,008	11,992	107,078	598,165
2008	93,208	15,000	12,008	11,992	107,078	594,643
2009	91,295	15,000	12,008	11,992	107,078	590,604
2010-2014	467,669	75,000	60,041	59,957	535,390	2,408,509
2015-2019	467,874	75,000	60,041	59,957	535,390	1,588,540
2020-2024	282,300	30,000	48,031	59,957	535,390	979,741
2025	-	-	-	-	53,539	53,539
Total	<u>\$1,681,671</u>	<u>\$255,000</u>	<u>\$228,154</u>	<u>\$239,830</u>	<u>\$2,141,560</u>	<u>\$7,949,197</u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. PERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

8. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A – VII or better rated carriers, except for a 5% portion retained by the plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 for property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Member's equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

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

9. 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, 2004, the custodian held \$179,286 in Village assets. These assets, and related receipts and disbursements, are not reflected in the accompanying financial statements.

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, 2004, the custodian held \$93,710 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

10. 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 Board of Directors 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.

VILLAGE OF MT. ORAB
BROWN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(continued)

11. SUBSEQUENT EVENTS

On November 10, 2005, the Village re-financed the 2004 Water Purchase Right Bond Anticipation Note by issuing a Water Purchase Right Bond Anticipation Note, First (2005) Renewal. The new note matures on November 9, 2006 and carries an interest rate of 3.75%. In addition, on January 28, 2005, the Village retired the 2004 Building Acquisition Note.

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***

The Honorable Members of Village Council
Village of Mt. Orab
142 North Main Street
Mt. Orab, Ohio 45882

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, 2004 and 2003, and have issued our report thereon dated June 22, 2006 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes 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 Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated June 22, 2006.

Compliance and Other Matters

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

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

Bastin & Company, LLC

Cincinnati, Ohio
June 22, 2006

**VILLAGE OF MT. ORAB
BROWN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2002-001	Utility receipts internal control material weakness	Yes	Controls were improved during this audit period.
2002-002	Mayor's Court internal control material weakness	Yes	Controls were improved during this audit period.
2002-003	Village Police Department internal control reportable condition	Yes	Controls were improved during this audit period.
2002-004	Fiscal Officer certification noncompliance citation ORC, section 5705.41	Yes	Issue was not noted during this audit period.
2002-005	Appropriations exceeded estimated resources noncompliance citation ORC section 5705.39	Yes	The Village was in compliance for 2004 and 2003
2002-006	Expenditures exceeded appropriations for 2001 noncompliance citation ORC section 5705.41	Yes	The Village was in compliance for 2004 and 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 5, 2006**