



**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2003**



**Auditor of State  
Betty Montgomery**



ORANGE VILLAGE  
CUYAHOGA COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Orange Village  
Cuyahoga County  
4600 Lander Road  
Orange, Ohio 44022

To the Village Council:

We have audited the accompanying financial statements of Orange Village, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 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 in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Orange Village, Cuyahoga County, Ohio, as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 11, 2004

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$3,105,005	\$39,916	\$0	\$525,110	\$3,670,031
Special Assessments	0	108,822	0	23,041	131,863
Intergovernmental Receipts	244,263	22,992	0	441,740	708,995
Charges for Services	149,852	0	0	0	149,852
Fines, Licenses, and Permits	168,262	0	0	15,750	184,012
Earnings on Investments	18,961	136	0	25,266	44,363
Miscellaneous	5,472	0	0	0	5,472
<b>Total Cash Receipts</b>	<b>3,691,815</b>	<b>171,866</b>	<b>0</b>	<b>1,030,907</b>	<b>4,894,588</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,756,418	162,003	0	0	1,918,421
Community Environment	221,298	0	0	0	221,298
Basic Utility Services	130,111	0	0	0	130,111
Transportation	471,985	122,757	0	0	594,742
General Government	670,410	0	0	0	670,410
Debt Service:					
Principal Payments	0	0	3,584,489	0	3,584,489
Interest and Fiscal Charges	0	0	232,775	0	232,775
Capital Outlay	0	0	0	680,335	680,335
<b>Total Cash Disbursements</b>	<b>3,250,222</b>	<b>284,760</b>	<b>3,817,264</b>	<b>680,335</b>	<b>8,032,581</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>441,593</b>	<b>(112,894)</b>	<b>(3,817,264)</b>	<b>350,572</b>	<b>(3,137,993)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes	0	0	0	3,473,529	3,473,529
Transfers-In	0	145,000	3,817,264	255,000	4,217,264
Transfers-Out	(400,000)	(9,507)	0	(3,807,757)	(4,217,264)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(400,000)</b>	<b>135,493</b>	<b>3,817,264</b>	<b>(79,228)</b>	<b>3,473,529</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	41,593	22,599	0	271,344	335,536
Fund Cash Balances, January 1, 2003	865,512	46,593	0	2,027,192	2,939,297
<b>Fund Cash Balances, December 31, 2003</b>	<b>\$907,105</b>	<b>\$69,192</b>	<b>\$0</b>	<b>\$2,298,536</b>	<b>\$3,274,833</b>

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

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Agency Fund</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>\$419,142</u>
Total Non-Operating Cash Receipts	<u>419,142</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>396,121</u>
Total Non-Operating Cash Disbursements	<u>396,121</u>
Net Receipts Over/(Under) Disbursements	23,021
Fund Cash Balances, January 1, 2003	<u>776,738</u>
<b>Fund Cash Balances, December 31, 2003</b>	<b><u><u>\$799,759</u></u></b>

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



**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Orange Village, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council and Mayor. The Village provides general governmental services, including road maintenance, building inspections, and police and fire protection.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

The Village participates in the following jointly governed organization:

**Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"), a jointly governed organization. NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC in 2003. Financial information can be obtained by contacting NOPEC, 1615 Clark Avenue, Cleveland, Ohio, 44109.

**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.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

The Village invested in STAROhio (the State Treasurer's investment pool) which is valued at amounts 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.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from 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 Pension Fund* – This fund is used to account for property taxes and transfers from the General Fund which is used to pay for the police pension obligations.

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Project Funds:

*Municipal Building Construction Fund* – This fund is used to account for the construction of the main municipal building.

*Infrastructure Levy Fund* – This fund is used to account for the construction and maintenance of Village roads, drainage and water.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**5. Fiduciary Funds (Trust and Agency Funds)**

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

*Contractor's Deposits* – This fund is used to account for the collection and distribution of contractor's deposits.

*Mayor's Court Fund* – This fund holds deposits which consist of traffic violations within the Village limits. A portion of these revenues are paid to the Village's General Fund and the remainder is remitted to the State of Ohio.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and major object level of control for the general fund, and fund level of control for all other funds, 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. 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. The Village did not use the encumbrance method of accounting.

A summary of 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.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as a liability under the basis of accounting used by the Village.

**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:

	2003
Demand deposits	\$72,460
Total deposits	72,460
STAR Ohio	4,002,132
Total investments	4,002,132
Total deposits and investments	\$4,074,592

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,484,066	\$3,691,815	(\$792,251)
Special Revenue	325,743	316,866	(8,877)
Debt Service	4,200,000	3,817,264	(382,736)
Capital Projects	6,439,302	4,759,436	(1,679,866)
Fiduciary	1,238,081	419,142	(818,939)
Total	\$16,687,192	\$13,004,523	(\$3,682,669)

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(CONTINUED)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,736,000	\$3,650,222	\$85,778
Special Revenue	282,000	294,267	(12,267)
Debt Service	4,200,000	3,817,264	382,736
Capital Projects	4,584,000	4,488,092	95,908
Fiduciary	300,000	396,121	(96,121)
Total	\$13,102,000	\$12,645,966	\$456,034

The Village did not apply budgetary procedures to the Mayor's Court Agency Fund which is not required or included in the above fiduciary budgeted receipts or appropriation authority amounts.

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not encumber any funds during 2003 as required.

Contrary to Ohio Revised Code Section 5705.41(B), the Village had expenditures that exceeded appropriations as of June 30, 2003 and as of December 31, 2003, in the General Fund, two Special Revenue Funds and four Capital Project Funds.

**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 an income tax of 2% on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. The Village allows a 60% tax credit up to 1.5% of withholding taxes paid to another municipality. The tax also applies to the net income of businesses operating within the Village.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(CONTINUED)**

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Village Hall Refunding Bonds Series - 2003	\$1,375,000	1.4% to 5.5%
General Obligation Bonds - Various Purpose	1,425,000	3.7% to 4.85%
Orange Place - Bond Anticipation Notes	2,000,000	1.70%
O.P.W.C. Loan	166,380	0.00%
O.W.D.A Loan - 3266	1,121,216	6.41%
O.W.D.A Loan - 3271	527,307	6.41%
Total	<u>\$6,614,903</u>	

On October 23, 2003, the Village issued \$1,295,000 in general obligation bonds at the interest rates varying from 1.4 percent to 4.1 percent. The general obligation bonds proceeds were used to refund \$1,135,000 of 1994 Village Hall Bonds. The bonds were sold at a premium of \$2,439. Proceeds of \$1,244,983 (after premium, underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the refunded debt. As a result, \$1,135,000 is considered defeased and the remaining debt payments have been removed from the schedule above. The Village decreased its total debt service payments on average by \$129,500 as a result of the advance refunding. The Village also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$63,147.

The Various Purpose Bonds issued in 1998 relate to street improvements which are being repaid in semiannual installments, including interest, over 20 years. These bonds have three to fifteen years of payments remaining. This issuance also includes the installation and construction of waterlines and is being repaid through special assessments over 20 years.

The Orange Place-Bond Anticipation Note relates to the construction and expansion of the Orange Place extension and installation of various landscape and streetscape. This note will be repaid in one installment of \$2,029,917, which includes \$29,917 of interest, payable on September 16, 2004. Future payments will be repaid through special assessments.

The O.P.W.C. loan is no interest loan that they will be paid over 20 years for the Harvard Road Improvement Project. The Village will pay an annual payment in the amount of \$9,507.

O.W.D.A. Loan 3266 relates to a \$1,121,216 Ohio Water Development Loan for a sewer and stormwater construction project related to the Chagrin Highlands Project. The project's final reimbursement was not received until 2003 and the final payment schedule has not been finalized by O.W.D.A. Payments for this loan are scheduled to begin in 2005 and will be repaid through special assessments.

O.W.D.A. Loan 3271 relates to a \$527,307 Ohio Water Development Loan for the Chagrin Highlands waterline construction project. The project's final reimbursement was not received until 2003 and the final payment schedule has not been finalized by O.W.D.A. Payments for this loan are scheduled to begin in 2005 and will be repaid through special assessments.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**6. DEBT (Continued)**

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

Year ending December 31:	Village Hall Advanced Refunding Bonds	Various Purpose Bonds	O.P.W.C.
2004	\$126,562	\$397,198	\$9,507
2005	154,910	393,463	9,507
2006	153,300	393,973	9,507
2007	156,115	38,673	9,507
2008	153,355	37,703	9,507
2009-2013	783,070	192,508	47,537
2014-2018	156,150	264,770	47,537
2019-2021	0	0	23,771
Total	<u>\$1,683,462</u>	<u>\$1,718,288</u>	<u>\$166,380</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). All other employees except the Village's firefighters hired after August 3, 1992 belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

Effective August 3, 1992, any new part-time Village firefighters are no longer covered by OPERS and must contribute to social security. The Village liability is 6.2 percent of wages paid.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

They also provide for health insurance life insurance and dental coverage to full-time employees through a private carrier.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**9. JOINT ECONOMIC DEVELOPMENT ZONE AGREEMENT**

The Joint Economic Development Zone Agreement was entered into pursuant to Section 715.49 Ohio Revised Code between the City of Cleveland, City of Warrensville Heights and Orange Village. The City of Cleveland owns property currently situated in the City of Warrensville Heights and Orange Village and desires to develop the property to create job opportunities and tax and other revenue. Orange Village is responsible for constructing improvements and providing municipal services. The three municipalities have agreed to share in the zone agreement income tax revenues generated from this agreement. The City of Cleveland, the City of Warrensville Heights and the Village of Orange will receive 37.5%, 12.5% and 50% respectively of the income tax revenue. During the fiscal year 2003, \$146,254 of gross zone agreement income tax revenue was collected, of which, \$75,561 represents Orange Village's portion.





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Orange Village  
Cuyahoga County  
4600 Lander Road  
Orange, Ohio 44022

To the Village Council:

We have audited the financial statements of Orange Village, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 11, 2004. 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.

**Compliance**

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 grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the Schedule of Findings as items 2003-001 and 2003-002. We also noted an immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated June 11, 2004.

**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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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 the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 11, 2004.

Orange Village  
Cuyahoga County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 11, 2004

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2003-001</b>
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**Purchase Order Certification**

Ohio Revised Code Section 5705.41(D) states, in part, that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time that he is completing his certification, a sufficient sum was available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate). If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- If the amount involved is less than one thousand dollars (\$3,000 after April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Village Council upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village did not certify the availability of funds for any of the expenditure transactions during the audit period. This weakness could allow expenditures to exceed the total of the available fund balance and the current year revenues. This could result in a negative fund balance(s). The Village was aware of these requirements, however failed to implement them.

We recommend the Village begin to use purchase orders for all expenditures to assist in monitoring expenditure activities and to properly certify the availability of funds for any orders or contracts involving the expenditure of money to ensure compliance with this requirement. Where prior certification is not feasible, we encourage the Village to utilize then and now certificates or blanket certificates.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003  
(CONTINUED)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS  
(Continued)**

<b>Finding Number</b>	<b>2003-002</b>
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Ohio Revised Code Section 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been appropriated.

As of June 30, 2003, the following funds had total expenditures in excess of the amount appropriated:

	<u>Actual</u> <u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>	<u>Percent</u>
<b>Special Revenue Funds:</b>				
Street Maintenance/Repair Fund	\$102,605	\$78,000	(\$24,605)	-32%

As of December 31, 2003, the following funds had total expenditures in excess of the amount appropriated:

	<u>Actual</u> <u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>	<u>Percent</u>
<b>General Fund:</b>				
General Law Enforcement – Other	\$211,395	\$207,000	(\$4,395)	-2%
Fire Prevention – Personal Services	394,831	386,000	(8,831)	-2%
Fire Prevention – Other	119,377	64,000	(55,377)	-87%
Land Use Planning – Other	139,881	131,000	(8,881)	-7%
General Government—Personal Services	289,321	274,000	(15,321)	-6%
General Government—Other including transfers	705,707	644,000	(61,707)	-10%
<b>Special Revenue Fund:</b>				
Street Construction Maintenance & Repair	113,042	78,000	(35,042)	-45%
State Highway Improvement	19,222	15,000	(4,222)	-28%
<b>Capital Projects Funds:</b>				
Capital Equipment	172,784	157,000	(15,784)	-10%
Recreation Capital Improvements	20,400	0	(20,400)	-100%
Municipal Building Construction	1,390,255	158,000	(1,232,255)	-78%
Infrastructure Levy Fund	799,955	564,000	(235,955)	-42%

We recommend the Village compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to ensure compliance with the above requirement. This comparison should be completed on a monthly basis at a minimum.

ORANGE VILLAGE  
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-001	Ohio Revised Code Section 5705.41(D)	No	Re-Issued in 2003 as finding 2003-001.





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**ORANGE VILLAGE**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 20, 2004**