



**Auditor of State
Betty Montgomery**

**ORANGE VILLAGE
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2004	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

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**Auditor of State
Betty Montgomery**

Orange Village
Cuyahoga County
4600 Lander Road
Orange Village, Ohio 44022

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 25, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Orange Village
Cuyahoga County
4600 Lander Road
Orange Village, 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, 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, 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 requires 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 governments 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 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 Orange Village, Cuyahoga County, Ohio, as of December 31, 2004, or its 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 of Orange Village, Cuyahoga County, Ohio, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As discussed in Note 2, the Village restated the beginning fund cash balances of the General and Agency Funds.

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 July 25, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 25, 2005

**ORANGE VILLAGE
CUYAHOGA 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	
Cash Receipts:					
Property Tax and Other Local Taxes	\$3,278,860	\$43,672	\$0	\$563,530	\$3,886,062
Special Assessments	0	23,308	0	921,030	944,338
Intergovernmental Receipts	179,070	127,066	0	925,784	1,231,920
Charges for Services	190,060	0	0	0	190,060
Fines, Licenses, and Permits	144,771	44,971	0	14,250	203,992
Earnings on Investments	26,896	412	0	17,760	45,068
Miscellaneous	2,448	0	0	9,683	12,131
Total Cash Receipts	3,822,105	239,429	0	2,452,037	6,513,571
Cash Disbursements:					
Current:					
Security of Persons and Property	1,804,750	196,453	0	0	2,001,203
Community Environment	226,318	0	0	0	226,318
Basic Utility Services	113,540	0	0	0	113,540
Transportation	526,127	91,326	0	0	617,453
General Government	748,253	0	0	0	748,253
Debt Service:					
Principal Payments	0	0	2,674,413	0	2,674,413
Interest Payments	0	0	165,606	0	165,606
Capital Outlay	0	0	0	2,224,533	2,224,533
Total Cash Disbursements	3,418,988	287,779	2,840,019	2,224,533	8,771,319
Total Receipts Over/(Under) Disbursements	403,117	(48,350)	(2,840,019)	227,504	(2,257,748)
Other Financing Receipts and (Disbursements):					
Sale of Bonds	0	0	0	1,678,227	1,678,227
Sale of Notes	0	0	0	1,242,000	1,242,000
Transfers-In	0	110,000	2,840,019	100,000	3,050,019
Advances-In	144,847	0	0	0	144,847
Transfers-Out	(210,000)	(9,507)	0	(2,830,512)	(3,050,019)
Advances-Out	0	0	0	(144,847)	(144,847)
Total Other Financing Receipts/(Disbursements)	(65,153)	100,493	2,840,019	44,868	2,920,227
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	337,964	52,143	0	272,372	662,479
Fund Cash Balances, January 1, 2004 (Restated See Note 2)	1,058,602	69,192	0	2,298,536	3,426,330
Fund Cash Balances, December 31, 2004	\$1,396,566	\$121,335	\$0	\$2,570,908	\$4,088,809

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

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$333,753</u>
Total Non-Operating Cash Receipts	<u>333,753</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>392,705</u>
Total Non-Operating Cash Disbursements	<u>392,705</u>
Net Receipts Over/(Under) Disbursements	(58,952)
Fund Cash Balances, January 1, 2004 (Restated See Note 2)	<u>648,262</u>
Fund Cash Balances, December 31, 2004	<u><u>\$589,310</u></u>

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

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Village, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected seven-member Council and Mayor governs the Village. 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 2004. Financial information can be obtained by contacting NOPEC, 1615 Clark Avenue, Cleveland, Ohio, 44109.

B. Basis of Accounting

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values U.S. Treasury Notes at cost. The Village invested in STAROhio (the State Treasurer's investment pool) which is valued at amounts reported by the State Treasurer.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds 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 police pension obligations.

3. Debt Service Fund

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing 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 Place Extension Fund – This fund is used to account for the construction and maintenance of the infrastructure located at the Southside of Orange Place.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (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 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 2004 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. RESTATEMENT OF FUND BALANCES

The beginning cash fund balances of the General Fund and Agency Fund were restated due to the mis-postings of Agency Fund expenditures to the General Fund. The restatements are as follows:

	<u>General</u>	<u>Agency</u>
Fund Cash Balance, January 1, 2004	\$907,105	\$799,759
Fund Cash Balance Reclassifications	151,497	(151,497)
Restated Fund Cash Balance, January 1, 2004	\$1,058,602	\$648,262

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004
Demand deposits	\$139,154
Total deposits	139,154
U.S. Treasury Notes	1,156,428
STAR Ohio	3,382,537
Total investments	4,538,965
Total deposits and investments	\$4,678,119

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

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,724,273	\$3,966,952	\$242,679
Special Revenue	280,311	349,429	69,118
Debt Service	2,725,088	2,840,019	114,931
Capital Projects	5,109,620	5,472,264	362,644
Fiduciary	0	333,753	333,753
Total	\$11,839,292	\$12,962,417	\$1,123,125

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,819,000	\$3,628,988	\$190,012
Special Revenue	297,000	297,286	(286)
Debt Service	2,837,000	2,840,019	(3,019)
Capital Projects	6,072,000	5,199,892	872,108
Fiduciary	300,000	392,705	(92,705)
Total	<u>\$13,325,000</u>	<u>\$12,358,890</u>	<u>\$966,110</u>

Contrary to Ohio law, the Village did not encumber any funds during 2004 as required.

Contrary to Ohio law, appropriations exceeded total estimated resources in the Debt Service Fund by \$111,912 and two Capital Project Funds; the Capital Equipment Fund by \$2,096 and the Orange Place Extension Fund by \$454,248 for the year ended.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
<u>As of September 30, 2004:</u>			
<i>General Fund</i>			
Land Use Planning – Other	\$60,057	\$40,000	\$20,057
<i>Special Revenue Fund</i>			
Law Enforcement Trust	23,529	5,000	18,529
<i>Capital Project Fund:</i>			
Orange Place Extension Fund	3,278,823	2,080,000	1,198,823
<u>As of December 31, 2004:</u>			
<i>General Fund:</i>			
General Law Enforcement – Personal Services	1,098,917	1,064,000	34,917
General Law Enforcement – Other	229,465	218,000	11,465
Land Use Planning – Personal Services	142,435	141,000	1,435
Land Use Planning – Other	83,883	40,000	43,883
General Government—Personal Services	297,599	293,000	4,599
<i>Special Revenue Fund:</i>			
Law Enforcement Trust	27,329	25,000	2,329
<i>Debt Service Fund</i>			
	2,840,019	2,837,000	3,019
<i>Capital Projects Funds:</i>			
Infrastructure Levy Fund	910,431	756,000	154,431
<i>Agency Fund</i>			
	392,705	300,000	92,705

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

5. PROPERTY TAX

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 2 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. 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.

Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay estimated tax quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the Village on the tenth business day of the following month. Income tax revenue is credited entirely to the General Fund.

7. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Village Hall Refunding Bonds - Series 2003	\$1,295,000	1.4% to 5.5%
General Obligation Bonds - Various Purpose	1,090,000	3.7% to 4.85%
Orange Place Extension Bond	1,687,000	2.25% to 5.125%
Orange Place North Notes	1,242,000	2.00%
O. P. W.C. Loan - Harvard Road	156,873	0.00%
O.W.D.A Loan - 3266	1,072,180	6.41%
O.W.D.A Loan - 3271	641,016	6.41%
	<u>\$7,184,069</u>	

On October 23, 2003, the Village issued \$1,295,000 in general obligation bonds at 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 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 two to fourteen years of payments remaining. This issuance also includes the installation and construction of waterlines and is being repaid through special assessments over 20 years.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. DEBT (Continued)

The Orange Place Extension Bond was issued in 2004 for \$1,687,000 and matures in 2024. The bond was sold at a discount.

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 \$1,266,840, which includes \$24,814 of interest, payable on August 10, 2005. 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 make an annual payment in the amount of \$9,507.

O.W.D.A. Loan 3266 relates to a \$1,072,180 Ohio Water Development Loan for a sewer and stormwater construction project related to the Chagrin Highlands Project. The final payment schedule for this loan was finalized by O.W.D.A. in 2004. The Village will make annual payments in the amount of \$95,869 which will be paid through special assessments.

O.W.D.A. Loan 3271 relates to a \$641,016 Ohio Water Development Loan for the Chagrin Highlands waterline construction project. The final payment schedule for this loan was finalized in by O.W.D.A. in 2004. The Village will make annual payments in the amount of \$57,317 which will be paid through special assessments.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Village Hall Refunding Bonds	Various Purpose Bonds	Orange Place Extension Bond	O.P.W.C.
2005	\$154,910	\$393,463	\$118,518	\$9,507
2006	153,300	393,973	120,573	9,507
2007	156,115	38,673	124,560	9,507
2008	153,355	37,703	123,435	9,507
2009	155,235	36,733	126,935	9,507
2010-2014	783,985	196,688	675,513	47,535
2015-2019		223,858	730,625	47,535
2020-2024			695,836	14,267
Total	<u>\$1,556,900</u>	<u>\$1,321,090</u>	<u>\$2,715,995</u>	<u>\$156,872</u>

Year ending December 31:	OWDA Loan 3266	OWDA Loan 3271	Totals
2005	\$47,935	\$28,658	\$752,990
2006	95,869	57,317	830,539
2007	95,869	57,317	482,041
2008	95,869	57,317	477,186
2009	95,869	57,317	481,596
2010-2014	479,345	286,585	2,469,650
2015-2019	479,345	286,585	1,767,948
2020-2024	527,280	315,243	1,552,626
Total	<u>\$1,917,380</u>	<u>\$1,146,339</u>	<u>\$8,814,576</u>

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS 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.

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.

9. 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.

10. JOINT ECONOMIC DEVELOPMENT ZONE AGREEMENT

The Joint Economic Development Zone Agreement was entered into pursuant to Ohio Revised Code Section 715.49 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 as well as 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 Orange Village will receive 37.5%, 12.5% and 50% respectively of the income tax revenue. During the fiscal year 2004, \$152,418 of gross zone agreement income tax revenue was collected, of which \$76,823 represents Orange Village's portion.



**Auditor of State
Betty Montgomery**

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

Orange Village
Cuyahoga County
4600 Lander Road
Orange Village, 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, 2004, and have issued our report thereon dated July 25, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village restated the beginning fund cash balances of the General and Agency Funds. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 25, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 to 2004-003. In a separate letter to the Village's management dated July 25, 2005, we reported an other matter related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the finance committee, management and the Village Council. It is not intended for 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

July 25, 2005

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER	2004-001
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Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds for any 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 stated that they were aware of these requirements but failed to implement them.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

(Continued)

FINDING NUMBER	2004-001
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(Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Finding Number	2004-002
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Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditures unless they have been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Village may not exceed appropriations at the legal level for all funds. The following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
<i>As of September 30, 2004</i>			
<i>General Fund:</i>			
Land Use Planning – Other	\$60,057	\$40,000	\$20,057
<i>Special Revenue Fund:</i>			
Law Enforcement Trust	23,529	5,000	18,529
<i>Capital Project Fund:</i>			
Orange Place Extension Fund	3,278,823	2,080,000	1,198,823

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

(Continued)

FINDING NUMBER	2004-002
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(Continued)

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
<i>As of December 31, 2004</i>			
<i>General Fund:</i>			
General Law Enforcement – Personal Services	1,098,917	1,064,000	34,917
General Law Enforcement – Other	229,465	218,000	11,465
Land Use Planning – Personal Services	142,435	141,000	1,435
Land Use Planning – Other	83,883	40,000	43,883
General Government—Personal Services	297,599	293,000	4,599
<i>Special Revenue Fund:</i>			
Law Enforcement Trust	27,329	25,000	2,329
<i>Debt Service Fund</i>			
	2,840,019	2,837,000	3,019
<i>Capital Projects Fund:</i>			
Infrastructure Levy Fund	910,431	756,000	154,431
<i>Agency Fund</i>			
	392,705	300,000	92,705

We recommend the Village verify that all expenditures have proper appropriation authority prior to expending funds and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to maintain compliance with the above requirements.

Finding Number	2004-003
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Appropriations Exceeding Estimated Revenues

Ohio Revised Code § 5705.39 provides, in part, that the total appropriations from each fund should not exceed the total estimated revenue. Ohio Revised Code § 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Revised Code § 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. Ohio Revised Code § 5705.39 provides, in part, that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

(Continued)

FINDING NUMBER	2004-003
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(Continued)

The following funds had appropriations in excess of total estimated resources as of December 31, 2004:

	<u>Total Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>Debt Service Fund</i>	\$2,725,088	\$2,837,000	(\$111,912)
<i>Capital Project Funds:</i>			
Capital Equipment Fund	227,904	230,000	(2,096)
Orange Place Extension Fund	2,894,752	3,349,000	(454,248)

We recommend the Village monitor appropriations and amend the certificate of estimated resources to ensure that appropriations do not exceed total estimated resources.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revised Code Section 5705.41(D)	No	Re-issued in 2004 as finding 2004-001
2003-002	Ohio Revised Code Section 5705.41(B)	No	Re-issued in 2004 as finding 2004-002



**Auditor of State
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**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
SEPTEMBER 6, 2005**