ORANGE VILLAGE
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007

Mary Taylor, CPA
Auditor of State

ORANGE VILLAGE
CUYAHOGA COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 24, 2009

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

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, 2007. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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, 2007 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, 2007, 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 the Orange Village, Cuyahoga County, Ohio, as of December 31, 2007, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 2 to the financial statements, the Village has restated the January 1, 2007 fund cash balances for the general fund, special revenue fund, debt service fund and capital projects fund.

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 24, 2009, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 24, 2009

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, 2007

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property Tax and Other Local Taxes	$4,096,064	$52,953	$0	$666,664	$4,815,681
Special Assessments	0	1,150	698,187	0	699,337
Intergovernmental Receipts	314,617	159,033	0	78,291	551,941
Charges for Services	138,454	0	0	0	138,454
Fines, Licenses, and Permits	183,421	50,062	0	5,250	238,733
Earnings on Investments	302,917	3,638	0	0	306,555
Miscellaneous	25,080	0	0	0	25,080
Total Cash Receipts	5,060,553	266,836	698,187	750,205	6,775,781
Cash Disbursements:					
Current:					
Security of Persons and Property	2,094,627	217,006	0	0	2,311,633
Community Environment	191,657	0	0	0	191,657
Basic Utility Services	153,015	0	0	0	153,015
Transportation	609,599	66,704	0	0	676,303
General Government	996,619	0	0	0	996,619
Debt Service:					
Principal and Interest Payments	0	0	1,602,888	0	1,602,888
Capital Outlay	0	17,008	0	950,776	967,784
Total Cash Disbursements	4,045,517	300,718	1,602,888	950,776	6,899,899
Total Receipts Over/(Under) Disbursements	1,015,036	(33,882)	(904,701)	(200,571)	(124,118)
Other Financing Receipts and (Disbursements):					
Sale of Bonds	0	0	720,000	0	720,000
Transfers-In	0	125,000	44,445	265,000	434,445
Transfers-Out	(390,000)	0	0	(44,445)	(434,445)
Total Other Financing Receipts/(Disbursements)	(390,000)	125,000	764,445	220,555	720,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	625,036	91,118	(140,256)	19,984	595,882
Fund Cash Balances, January 1, 2007 (Restated)	1,747,712	411,413	1,441,223	1,560,573	5,160,921
Fund Cash Balances, December 31, 2007	$2,372,748	$502,531	$1,300,967	$1,580,557	$5,756,803

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 - AGENCY FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Agency
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	$351,308
Total Non-Operating Cash Receipts	351,308
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	118,798
Total Non-Operating Cash Disbursements	118,798
Net Receipts Over/(Under) Disbursements	232,510
Fund Cash Balances, January 1, 2007	363,943
Fund Cash Balances, December 31, 2007	**$596,453**

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

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 Mayor and seven-member Council. The Village provides general governmental services, including police, fire, building inspection and recreation programs.

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 2007. Financial information can be obtained by contacting NOPEC, 1615 Clark Avenue, Cleveland, Ohio, 44109.

B. Accounting Basis

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. The Village 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Village has purchased a note from the debt service 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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. The Village had the following significant Debt Service Fund:

Debt Service Fund - This fund receives special assessments and transfers-in to retire bond and note debt.

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 Fund:

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

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 2007 budgetary activity appears in Note 4.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. RESTATEMENT OF CASH FUND BALANCES

The Village has reclassified the January 1, 2007 fund cash balances of the following funds due to the reclassification of revenues collected to retire debt:

	General	Special Revenue	Debt Service	Capital Projects
January 1, 2007 fund cash balance previously reported	$1,674,020	$407,283	$1,795,673	$1,283,945
Reclassification	73,692	4,130	(354,450)	276,628
Restated January 1, 2007 fund cash balance	$1,747,712	$411,413	$1,441,223	$1,560,573

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:

	2007
Demand Deposits	$3,735,702
Total Deposits	3,735,702
U.S. Treasury Notes	821,909
STAR Ohio	1,795,645
Total Investments	2,617,554
Total Deposits and Investments	$6,353,256

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

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 2007 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$4,302,000	$5,060,553	$758,553
Special Revenue	379,551	391,836	12,285
Debt Service	831,854	1,462,632	630,778
Capital Projects	2,231,224	1,015,205	(1,216,019)
Fiduciary	250,000	351,308	101,308
Total	$7,994,629	$8,281,534	$286,905

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$4,386,606	$4,435,522	($48,916)
Special Revenue	607,664	300,718	306,946
Debt Service	1,711,954	1,602,888	109,066
Capital Projects	3,420,218	995,221	2,424,997
Fiduciary	250,000	118,798	131,202
Total	$10,376,442	$7,453,147	$2,923,295

Contrary to Ohio Rev. Code § 5705.41(D)(1**)**, Village did not certify the availability of funds during 2007.

Contrary to Ohio Rev. Code § 5705.14, several transfers were made which were not permissable.

Contrary to Ohio Revised Code § 5705.41(B), the following funds had expenditures in excess of appropriations at December 31, 2007:

Fund/Account	Expenditures	Appropriations	Variance
General Fund:			
Community Environment - Other	$147,796	$119,471	($28,325)
Solid Waste Collection - Other	153,020	150,000	(3,020)
Executive and Administrative - Personnel	367,054	330,331	(36,723)
Special Revenue Funds:			
Police Computer - Other	17,008	15,392	(1,616)
Federal Law Enforcement - Other	36,123	4,000	(32,123)
State Law Enforcement - Other	3,186	100	(3,086)
Capital Projects Funds:			
Capital Equipment - Other	220,544	183,000	(37,544)

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 1st and 15th of the following month. Income tax revenue is credited entirely to the General Fund.

7. 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 2007, 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 9.5 percent of their wages. The Village contributed an amount equal to 13.85 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

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. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Village Hall – Advanced Refunding GO Bonds	$ 945,000	1.4% to 4.1%
General Obligation Bonds – Lander Watermain	365,000	4.8%
Orange Place South Extension Bonds	1,550,000	2.25% to 5.125%
Orange Place North Bonds	690,000	4% to 5.25%
OPWC Loan - Orange Place North	91,066	0%
OPWC Loan – Harvard Road	128,351	0%
OWDA Loan # 3266	999,832	6.41%
OWDA Loan # 3271	597,763	6.41%
Cuyahoga County – Chagrin Highlands	1,610,000	3% to 5.25%
Cuyahoga County – Miles Road	560,038	2% to 3.55%
Emery Road Improvement Bonds	720,000	4.65% to 5.5%
Total	$8,257,050	

On October 23, 2003, the Village issued $1,295,000 in general obligation bonds at interest rates varying from 1.4 percent to 5.5 percent. The proceeds of the general obligation bonds were used to refund $1,135,000 of 1994 Village Hall Bonds. The bonds are being repaid in annual installments, including interest, over 10 years.

The General Obligation Bonds – Lander Watermain were issued in 1998 for $525,000 and relate to water line improvements which are being repaid in semiannual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

The Orange Place South Extension Bonds were issued in 2004 for $1,687,000 and were sold at a discount. The bonds were issued for the improvement of a portion of Orange Place through sidewalk installation and various landscape and streetscape improvements. The bonds are being repaid in semiannual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

The Orange Place North Bonds were issued in 2006 for $705,000 for the purpose of improving a portion of Orange Place by repaving, widening and installing sidewalks, curbs, landscaping and streetscaping. The bonds are being repaid in annual installments, including interest, over 20 years. The bonds are being repaid through special assessments.

The Ohio Public Works Commission (OPWC) loan was issued in 2005 for $101,185. The loan is non-interest bearing and will be paid in semiannual installments over 20 years for the Orange Place North Reconstruction Project. The Village makes annual payments in the amount of $ 5,059. The loan is being repaid through special assessments.

8. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan was issued in 2002 for $190,149. The loan is non-interest bearing and will be paid in semiannual installments over 20 years for the Harvard Road Improvement Project. The Village makes annual payments in the amount of $9,507.

Ohio Water Development Authority (OWDA) Loan #3266 was issued in 2005 for $1,072,180 and relates to sewer and stormwater construction for the Chagrin Highlands Project that began in 2005. The loan is being repaid in semiannual installments, including interest, over 20 years. The loan is being repaid through special assessments.

Ohio Water Development Authority (OWDA) Loan #3271 was issued in 2005 for $641,016 and relates to waterline construction for the Chagrin Highlands Project that began in 2005. The loan is being repaid in semiannual installments, including interest, over 20 years. The loan is being repaid through special assessments.

Cuyahoga County (Re: Chagrin Highlands) relates to an agreement entered into in 1999 between Cuyahoga County and the Village to construct the extension of Orange Place South to Harvard Road. The County issued $1,711,000 of bonds in 2004 and the Village was required to issue special assessments on the benefiting properties to retire them. The bonds are being repaid in semiannual installments, including interest, over 20 years through special assessments.

Cuyahoga County – Miles Road relates to an agreement entered into in 1991 between Cuyahoga County and the Village to construct the Miles Road Sanitary Sewer Phase I project. The County issued $2,430,000 of bonds in 1992 and the Village is obligated to pay its share (54.11%) of the principal and interest on the bonds. The remaining portion (45.89%) is being paid by the City of Solon. In 2003, the Village and Cuyahoga County amended their agreement, related to this project, allowing for the refunding of outstanding bonds through the issuance of $1,500,000 of refunding bonds. The County issued these bonds in November 2003 in order to achieve present value debt service savings for both parties involved. The refunding bonds are being repaid in semiannual installments, including interest, over 9 years through tap-in fees, to the extent of collections.

The Emery Road Improvement Bonds were issued in 2007 for $720,000 for the purpose of improving Emery Road by installing watermains and connections. The bonds are being repaid in annual installments, including interest, over 20 years. The bonds are being repaid through special assessments

8. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	Village Hall Refunding Bonds	Lander Watermain	Orange Place South Extension Bonds	Orange Place North Bonds
2008	$153,355	$37,703	$123,435	63,235
2009	155,235	36,732	126,935	62,035
2010	156,485	40,763	125,285	60,835
2011	157,130	39,550	128,415	59,635
2012	157,270	38,377	131,375	63,405
2013-2017	313,100	197,065	744,188	304,045
2018-2022		104,850	692,725	302,988
2023-2027			279,987	124,187
Total	$1,092,575	$495,040	$2,352,345	1,040,365

Year ending December 31:	OPWC Loan-Orange Place North	OPWC Loan - Harvard Rd.	OWDA Loan #3266	OWDA Loan # 3271
2008	$5,059	$9,507	$95,869	$57,317
2009	5,059	9,507	96,869	57,317
2010	5,059	9,507	95,869	57,317
2011	5,059	9,507	96,869	57,317
2012	5,059	9,507	95,869	57,317
2013-2017	25,297	47,540	479,346	286,583
2018-2022	25,297	33,276	479,346	286,583
2023-2027	15,177	0	239,674	143,290
Total	$91,066	$128,351	$1,679,711	$1,003,041

Year ending December 31:	Cuyahoga County - Miles Road	Cuyahoga County - Chagrin Highlands	Emery Road Improvement	Totals
2008	$198,210	$233,888	$55,307	$1,032,885
2009	104,079	138,475	57,497	849,740
2010	104,301	136,525	56,567	848,513
2011	104,166	138,275	55,637	851,560
2012	103,657	134,775	59,707	856,318
2013-2017	0	690,725	286,100	3,373,989
2018-2022	0	684,500	338,850	2,948,415
2023-2027	0	272,950	321,201	1,396,466
Total	$614,413	$2,430,113	$1,230,866	$12,157,886

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 2007, $304,853 of gross zone agreement income tax revenue was collected, of which $152,415 represents Orange Village's portion.

Mary Taylor, CPA
Auditor of State

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 Vilage, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2007, and have issued our report thereon dated July 24, 2009, 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 January 1, 2007 fund cash balances for the general fund, special revenue fund, debt service fund, and capital projects fund types. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-003 through 2007-005.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings numbers 2007-001 and 2007-003 through 2007-005 are also material weaknesses.

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 2007-001 through 2007-005.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated July 24, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 24, 2009

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

Finding Number	**2007-001**

Failure to Encumber - Noncompliance Citation - Material Weakness

Ohio Revised Code Section 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 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. 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).
.

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

(Continued)

Finding Number	**2007-001**

(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 Treasurer utilize the encumbrance method of accounting and 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 encumber and 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.

Village's Response

Beginning in 2008, after notification that this was considered a "material weakness" we complied with this Finding by issuing "Then and Now" certificates for all expenditures. Additionally, due to enhanced staffing in the finance department, we have been able to institute an encumbrance accounting system in 2009 which should further satisfy this finding going forward.

The Village has never used an encumbrance accounting system due to staffing limitations and other considerations, but, there were NO negative fund balances at December 31, 2007 due to continuous monitoring and analysis of our financial condition.

Finding Number	**2007-002**

Expenditures Exceeded Appropriations at the Legal Level of Control - Noncompliance Citation

Ohio Revised Code Section 5705.38(C) requires the following minimum level of budgetary control for villages: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services."

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from expending money unless it has 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.

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

Finding Number	**2007-002**

(Continued)

As reported in Note 4 to the financial statements, the following funds had expenditures in excess of appropriations at December 31, 2007:

Fund/Account	Expenditures	Appropriations	Variance
General Fund:			
Community Environment - Other	$147,796	$119,471	($28,325)
Solid Waste Collection - Other	153,020	150,000	(3,020)
Executive and Administrative - Personnel	367,054	330,331	(36,723)
Special Revenue Funds:			
Police Computer - Other	17,008	15,392	(1,616)
Federal Law Enforcement - Other	36,123	4,000	(32,123)
State Law Enforcement - Other	3,186	100	(3,086)
Capital Projects Funds:			
Capital Equipment Other	220,544	183,000	(37,544)

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. Furthermore, management should review their accounting system and determine if reports can be generated at the legal level of control adopted by Council.

Village's Response

This finding should be eliminated in 2009 due to the implementation of an encumbrance accounting system.

It is important to note that the Village has never exceeded its available resources, but did fail to obtain amended appropriation resolutions/ordinances from Village Council.

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

Finding Number	**2007-003**

Illegal Transfers - Noncompliance Citation - Material Weakness

Ohio Revised Code § 5705.14 states that no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- Money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority passed by a simple majority of the board members. [RC 5705.14(E) and 5705.16]

- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision. [RC 5705.14(B)]

During 2007, the Treasurer transferred monies from various funds to the Debt Service Fund. While these transfers were made to retire debt they were not permissible pursuant to the above Sections. Instead, the Village should post all special assessment revenues associated with bonded debt directly to the Debt Service Fund. This would eliminate the need for transfers. The transfers recorded on the financial statements were as follows:

Transfer From Fund	Amount Transferred to Debt Service Fund
Street Construction Maintenance & Repair	$9,507
Municipal Building Construction	156,115
Emery Waterline	880,000
Lander Watermain	38,673
Orange Place Extension	316,508
Orange Place Sidewalk Assessment	64,515

The accompanying financial statements reflect the removal of the above transfers since the monies needed to retire the debt have been reclassified from the respective funds to the Debt Service Fund Type. See finding 2007-004 for the reclassification of monies to the Debt Service Fund Type.

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

Finding Number	2007-003

(Continued)

Village's Response

For many years we were following the guidelines issued to us by the Auditors of State (AOS), which required us to establish a Debt Service Fund and to transfer debt payments to that fund from the respective capital projects fund. A change in the interpretation of the Ohio Revised Code (ORC) by the State Auditors Legal Department resulted in the issuance of a noncompliance citation for Orange Village for the first time in 2006 and 2007. Starting in 2008 we have revised our accounting procedures to comply with the new AOS interpretation.

Finding Number	2007-004

Revenues Levied to Retire Bonds, Loans and Special Assessments Must be Paid Into the Debt Service Fund Type – Noncompliance Citation – Material Weakness

Ohio Revised Code § 5705.09(C) requires each subdivision to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity.

Ohio Revised Code § 5705.10(B) provides that all revenue derived from levies for debt charges on bonds, notes, or certificates of indebtedness must be paid into a [debt service] fund for that purpose.

The Village issued general obligation bonds, obtained Ohio Water Department Authority loans and levied special assessments for several projects it is administering. The projects were completed during 2007 or earlier and relate to the Lander Watermain, Orange Place South Extension, the Phase II Public Improvement Project with Cuyahoga County, the Infrastructure Levy and the Chagrin Highlands Project.

The Village is also administering the Emery Waterline Project. In 2006, a bond anticipation note was issued for the project and it was retired in 2007 when the bonds were issued. In 2007, the Village issued a $720,000 bond which was used to retire the Emery Waterline bond anticipation note.

The revenues derived from levies for debt charges on the bonds, loans, notes and special assessments issued were recorded in several improvement funds in the Capital Projects Fund Type, instead of the Debt Service Fund Type, as required. The funds were then transferred to the Debt Service Fund Type on an as needed basis to retire the principal and interest maturing. Since the only revenues recorded in the Debt Service Fund Type are from transfers-in used to retire the current debt the Debt Service Fund Type is not being used to accumulate revenues earmarked to retire debt and the fund has a zero beginning and ending balance.

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

Finding Number	**2007-004**

(Continued)

Revenues derived from levies for debt charges on bonds, special assessments, loans and proceeds from the bonds issued to retire notes have been reclassified from the various improvement funds in the Capital Projects Fund Type to the Bond Retirement Fund - Debt Service Fund Type in the amounts as follows and the transfers have been eliminated in the accompanying financial statements:

Beginning balance	$1,441,223
Receipts	698,187
Sale of Bonds	720,000
Transfers In	44,445
Principal/Interest Payments	1,602,888
Ending balance	$1,300,967

We recommend that revenue derived from levies for debt charges on bonds, notes, or certificates of indebtedness be paid into the Village's Bond Retirement Fund - Debt Service Fund Type in order to retire the debt issued.

Village's Response

For many years we were following the guidelines issued to us by the Auditors of State (AOS), which required us to establish a Debt Service Fund and to transfer debt payments (which became the revenue source) to that fund from the respective capital projects fund. Therefore, we did not record the revenue directly into the Debt Service Fund. A change in the interpretation of the Ohio Revised Code (ORC) by the State Auditors Legal Department resulted in the issuance of a noncompliance citation for Orange Village for the first time in 2006 and 2007. Starting in 2008 we have revised our accounting procedures to comply with the new AOS interpretation.

Finding Number	**2007-005**

Estate Taxes Must be Credited to the General Fund - Noncompliance Citation – Material Weakness

Ohio Revised Code § 5731.48 requires generally that Village's credit estate taxes in the general fund (effective June 29, 2004).

In 1984, the Village passed a resolution requiring all estate taxes be recorded in a capital improvement fund. This resolution is in conflict with Ohio Revised Code § 5731.48, effective June 29, 2004.

During 2007, the Village recorded estate taxes totaling $142,666 in the Capital Improvement Fund - Capital Projects Fund Type, instead of the General Fund, as required. As a result, the estate taxes have been reclassified from the Capital Improvement Fund - Capital Projects Fund Type to the General Fund in the accompanying financial statements:

We recommend that estate taxes be recorded in the General Fund.

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

Finding Number	2007-005

(Continued)

Village's Response

As noted, the Ohio Revised Code was changed in 2004 and we did not receive our 2006 audit report until July 25, 2008 which was the first time we have been cited for noncompliance of a financial recording practice we have followed since Council's 1984 resolution requiring it. Beginning in 2009, we began crediting Estate Taxes directly to the General Fund as required.

Auditor of State Comment
We appreciate the Village's willingness to comply with the requirement. However, monitoring changes in laws and regulations is management's responsibility, not the responsibility of the Auditor of State. Management should adopt procedures to keep abreast of changes in laws and regulations affecting it.

This page intentionally left blank.

ORANGE VILLAGE
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-001	The Village does not certify the availability of funds as required by Ohio Revised Code Section 5705.41(D)(1).	No	Re-issued in 2007 as finding 2007-001
2006-002	Several funds had total fund expenditures in excess of total appropriations contrary to Ohio Revised Code Section 5705.41(B).	No	Re-issued in 2007 as finding 2007-002.
2006-003	Transfers were made in amounts not authorized by Council contrary to Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.	No	Re-issued in 2007 as finding 2007-003 as several transfers were not approved by Council.
2006-004	SCM&R funds restricted as to use contrary to Ohio Revised Code Section 5705.10.	Yes	
2006-005	Revenues levied to retire bonds must be paid into Debt Service, contrary to Ohio Revised code Section 5705.09.	No	Re-issued in 2007 as finding 2007-004.
2006-006	Legislation must identify the source of repaying bonds, contrary to Ohio Revised Code Section 133.23.	Yes	
2006-006	Estate taxes must be credited to the General Fund, contrary to Ohio Revised Code Section 5731.48.	No	Re-issued in 2007 as finding 2007-005.
2006-007	Revenues levied to retire General Obligation Bonds must be paid into Debt Service, contrary to Ohio Revised Code Section 5705.09.	Yes	
2006-008	Amending the Certificate of Estimated Resources when Notes are Issued, contrary to Ohio Revised Code Section 133.22.	Yes	
2006-009	General Fund purchase of the Village's Bond Anticipation Note was not properly recorded.	Yes	

Mary Taylor, CPA
Auditor of State

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
OCTOBER 8, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us