

Village of Orient
Pickaway County, Ohio

Regular Audit

January 1, 2006, through December 31, 2007
Fiscal Years Audited Under GAGAS: 2007 and 2006



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

Village Council
Village of Orient
P. O. Box 63
Orient, Ohio 43146

We have reviewed the *Independent Auditor's Report* of the Village of Orient, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 30, 2009

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VILLAGE OF ORIENT
PICKAWAY COUNTY
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Independent Auditor's Report

Village Council
Village of Orient
36 Main Street
Orient, Ohio 43146

We have audited the accompanying financial statements of the Village of Orient, Pickaway County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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.

Except as discussed in the following paragraphs, 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 Standard*. 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 that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting its larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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 and third following paragraphs.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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 and 2006, or its changes in financial position or cash flows, where applicable, for the years then ended.

Because of the inadequacy of accounting records for the years ended December 31, 2007 and 2006, we were unable to form an opinion regarding the amounts at which charges for services receipts are recorded in the accompanying combined statement of cash receipts, cash disbursements, and changes in fund cash balances proprietary funds at December 31, 2007 and 2006 (stated at \$28,789 and \$22,473 respectively).

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had charges for services receipts been susceptible to satisfactory audit tests for the years ended December 31, 2007 and 2006, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Orient, Pickaway County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 September 25, 2008, 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 this 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.



Balestra, Harr & Scherer, CPAs, Inc.

September 25, 2008

**Village of Orient
Pickaway County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Funds
For the Year Ended December 31, 2007*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 5,875	\$ 3,016	\$ 8,891
Intergovernmental	24,812	17,770	42,582
Fines, Licenses & Permits	448	-	448
Earnings on Investments	1,484	-	1,484
Miscellaneous	20	-	20
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	32,639	20,786	53,425
Cash Disbursements:			
Current:			
Security of Persons & Property	5,500	-	5,500
Leisure Time Activities	35	-	35
Community Environment	284	-	284
Basic Utility Services	352	-	352
Transportation	-	47,422	47,422
General Government	24,218	-	24,218
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	30,389	47,422	77,811
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	2,250	(26,636)	(24,386)
Other Financing Receipts and (Disbursements):			
Advances - Out	<hr/>	<hr/>	<hr/>
	(10,000)	-	(10,000)
Total Other Financing Receipts/(Disbursements)	<hr/>	<hr/>	<hr/>
	(10,000)	-	(10,000)
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(7,750)	(26,636)	(34,386)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	24,801	165,361	190,162
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>
	\$ 17,051	\$ 138,725	\$ 155,776
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$ 518	\$ 500	\$ 1,018

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

**Village of Orient
Pickaway County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
Proprietary Fund Type
For the Year Ended December 31, 2007*

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 28,789
Total Operating Cash Receipts	28,789
Operating Cash Disbursements:	
Contractual Services	13,341
Supplies and Materials	8,378
Total Operating Cash Disbursements	21,719
Operating Loss	7,070
Non-Operating Receipts (Disbursements):	
Principal Payments	(14,466)
Interest and Fiscal Charges	(6,596)
Total Non-Operating Receipts/(Disbursements)	(21,062)
Income/(Loss) Before Interfund Transfers and Advances	(13,992)
Transfers and Advances:	
Advances - In	10,000
Net Receipts Over/(Under) Disbursements	(3,992)
Fund Cash Balances, January 1	(1,258)
Fund Cash Balances, December 31	\$ (5,250)
Reserve for Encumbrances, December 31	\$ 206

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

**Village of Orient
Pickaway County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Funds
For the Year Ended December 31, 2006*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 6,313	\$ 907	\$ 7,220
Intergovernmental	25,554	26,206	51,760
Fines, Licenses & Permits	418	-	418
Earnings on Investments	1,709	238	1,947
	33,994	27,351	61,345
Total Cash Receipts			
	33,994	27,351	61,345
Cash Disbursements:			
Current:			
Public Health Service	79	-	79
Community Environment	343	-	343
Basic Utility Services	65	-	65
Transportation	-	44,214	44,214
General Government	22,795	-	22,795
Capital Outlay	21,814	-	21,814
	45,096	44,214	89,310
Total Cash Disbursements			
	45,096	44,214	89,310
Total cash receipts over/(under) cash disbursements	(11,102)	(16,863)	(27,965)
Fund Cash Balances, January 1, Restated	35,903	182,224	218,127
Fund Cash Balances, December 31	\$ 24,801	\$ 165,361	\$ 190,162
Reserve for Encumbrances, December 31	\$ -	\$ -	\$ -

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

**Village of Orient
Pickaway County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
Proprietary Fund Type
For the Year Ended December 31, 2006*

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 22,473
Total Operating Cash Receipts	22,473
Operating Cash Disbursements:	
Contractual Services	36,305
Supplies and Materials	8,646
Total Operating Cash Disbursements	44,951
Operating Loss	(22,478)
Non-Operating Receipts (Disbursements):	
Principal Payments	(13,813)
Interest and Fiscal Charges	(5,013)
Total Non-Operating Receipts/(Disbursements)	(18,826)
Net Receipts Over/(Under) Disbursements	(41,304)
Fund Cash Balances, January 1	40,046
Fund Cash Balances, December 31	\$ (1,258)
Reserve for Encumbrances, December 31	\$ -

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

VILLAGE OF ORIENT
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Orient, Pickaway County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council-mayor form of government. The Village provides general governmental services, including water and sewer utilities, street construction, maintenance and repair, as well as other general government services. The Village contracts with the Pickaway County Sheriff's Office for security services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund:

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

2. Special Revenue Funds:

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

VILLAGE OF ORIENT
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds:

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

3. Proprietary Funds:

Enterprise Fund

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

VILLAGE OF ORIENT
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 150,526	\$ 168,916
Certificates of Deposit	-	19,988
Total Deposits and Investments	<u>\$ 150,526</u>	<u>\$ 188,904</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and December 31, 2006, was as follows:

2007 Budgeted vs. Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ -	\$ 32,639	\$ 32,639
Special Revenue	-	20,786	20,786
Enterprise	-	28,789	28,789
Total	<u>\$ -</u>	<u>\$ 82,214</u>	<u>\$ 82,214</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ -	30,907	\$ (30,907)
Special Revenue	-	47,922	(47,922)
Enterprise	-	42,987	(42,987)
Total	<u>\$ -</u>	<u>\$ 121,816</u>	<u>\$ (121,816)</u>

VILLAGE OF ORIENT
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

3. BUDGETARY ACTIVITY (continued)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 33,994	\$ 33,994
Special Revenue	-	27,351	27,351
Enterprise	-	22,473	22,473
Total	<u>\$ -</u>	<u>\$ 83,818</u>	<u>\$ 83,818</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 45,096	\$ (45,096)
Special Revenue	-	44,214	(44,214)
Enterprise	-	63,777	(63,777)
Total	<u>\$ -</u>	<u>\$ 153,087</u>	<u>\$ (153,087)</u>

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$185,990	0%
Bank Note	102,352	5.05%
Total	<u>\$288,342</u>	

VILLAGE OF ORIENT
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

5. DEBT (continued)

The Ohio Public Works Commission (OPWC) loan relates to modifications to the Village water distribution system. The OPWC has approved an interest free loan of \$212,560 to the Village for this project. The loan will be repaid in annual installments of \$5,314 over 20 years, with the final payment July 1, 2025. The loan is collateralized by water and sewer receipts.

The Bank note relates to the construction of the Village water system. The Bank note has an interest rate of 5.05% on the loan of \$112,440 to the Village for this project. The loan will be repaid in annual installments of \$745 over 19 years with final payment July 1, 2024. The loan is collateralized by water and sewer receipts.

Amortization of the above debt is scheduled as follows:

Year Ending December 31,	OPWC	Bank Note		Total	
	Principal	Principal	Interest	Principal	Interest
2008	\$ 10,628	\$ 3,853	\$ 5,089	\$ 14,481	\$ 5,089
2009	10,628	4,052	4,880	14,680	4,880
2010	10,628	4,262	4,680	14,890	4,680
2011	10,628	4,482	4,460	15,110	4,460
2012	10,628	4,714	4,228	15,342	4,228
2013-2025	132,850	80,989	27,635	213,839	27,635
Total	<u>\$ 185,990</u>	<u>\$ 102,352</u>	<u>\$ 50,972</u>	<u>\$ 288,342</u>	<u>\$ 50,972</u>

6. RISK MANAGEMENT

The Village has obtained commercial insurance coverage for the following risks:

- Employee dishonesty bond
- Comprehensive property and general liability
- Errors and omissions

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

7. CONTINGENT LIABILITIES

LITIGATION

The Village is currently not involved in litigation

8. COMPLIANCE

- The Village had a negative cash balance in the Water Operating fund for the years ended December 31, 2007 and 2006, contrary to Ohio Revised Code Section 5705.10.
- The Village had expenditures in excess of appropriations for the years ended December 31, 2007 and 2006, contrary to Ohio Revised Code Section 5705.41(B).

VILLAGE OF ORIENT
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

8. COMPLIANCE (continued)

- The Village did not properly encumber all commitments as required by the Ohio Revised Code Section 5705.41(D)
- The Village did not certify to the county auditor all resources available from all sources for 2007 and 2006, as required by the Ohio Revised Code Section 5705.36
- The Village did not certify their annual appropriations measure to the county budget commission for 2007 and 2006, as required by the Ohio Revised Code Section 5705.38(A).

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council
Village of Orient
36 Main Street
Orient, Ohio 43146

We have audited the financial statements of the Village of Orient, Pickaway County (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 25, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and that we were unable to satisfy ourselves as to the accuracy of the Village's proprietary funds' charges for services for the years ended December 31, 2007 and 2006. Except as described above, 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 to be 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, 2007-006, 2007-007 and 2007-009.

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 number 2007-001, 2007-007 and 2007-009 are also a material weakness.

Village of Orient

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

Page 2

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated September 25, 2008.

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 statements 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 item 2007-002 through 2007-005, 2007-008 and 2007-010.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 25, 2008.

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 Village's management and the Village Council. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
September 25, 2008

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-001

Material Weakness

The Village has established an ordinance establishing a minimum monthly usage fee of \$33 for the first 5,000 gallons of water used with an additional charge for each gallon over 5,000 that was used. This ordinance was established in 2003 and no other ordinances were established during the audit period. However the Village Clerk is billing the customers based on the minimum monthly amount established on the ordinance and not by each customer's total usage. Also we noticed that the Village Council approved to assess fees to utility accounts that have not been paid in a timely manner. We were unable to find evidence to support that the Clerk was assessing such fees to accounts that were not being paid in a timely manner. However, upon review of the Village's utilities records we noted that the Village had several accounts that were delinquent and fees should have been assessed to those accounts. Furthermore the Village is showing a negative trend in enterprise activities. The Enterprise funds have a \$5,250 and \$1,258 combined deficit fund balance at the end of 2007 and 2006, respectively.

Also, the Village's accounting records for utility billings and receipts were not adequate for audit. It appeared that amounts billed and collected were mainly only entered at year end for all months. This does not adequately reflect account balances throughout the year and makes it difficult to match bills with payments made.

The Village should implement application and monitoring controls over the billing for water and sewer charges throughout the year. If Council has established an ordinance establishing monthly usage fees per usage the Village Clerk should calculate the customer's bills accordingly. If an account is being paid after the due date the Village should be adding a late charge to that customer's account as determined by the Village ordinance. Finally if an account has been deemed to be delinquent the Village should take the appropriate steps to stop providing service to that customer until the delinquent account has been brought back to current status. Furthermore, adequate records should be maintained throughout the year to evidence amounts billed, collections received and account balances.

Client Response:

The client has chosen not to respond.

FINDING NUMBER 2007-002

Material Non-Compliance

Ohio Revised Code Section 5705.10 states in part that monies paid into a fund must only be used for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had combined negative fund balances in its enterprise funds of \$5,250 and \$1,258 at December 31, 2007 and 2006, respectively.

The Village should implement internal controls that would ensure that funds are not overspent resulting in negative fund balances.

Client Response:

The client has chosen not to respond.

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-003

Material Non-Compliance

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village Council approved appropriations for 2006 and 2007, but they did not file them with the County Auditor. As a result, their appropriations were set at \$0 since an appropriation measure is not effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate.

The Village should implement internal controls that would ensure that no money is expended unless it has been properly appropriated and that the appropriation measures are properly filed with the County Auditor as required by the Ohio Revised Code.

Client Response:

The client has chosen not to respond.

FINDING NUMBER 2007-004

Material Non-Compliance

Ohio Revised Code Section 5705.36 states in part that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Village did not certify to the county auditor all resources available for all sources for 2006 and 2007.

The Village should implement internal controls to ensure that all documents that are required to be filed with the county auditor are being filed by the required date.

Client Response:

The client has chosen not to respond.

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-005

Material Non-Compliance

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

The statute provides the following exceptions to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village failed to properly certify funds prior to commitment for several disbursements in 2006 and 2007.

The Village should ensure that no money is being expended until it has been properly certified by the fiscal officer that the amount required for the order or contract has been lawfully appropriated.

Client Response:

The client has chosen not to respond.

FINDING NUMBER 2007-006

Significant Deficiency

The Village's elected and appointed officials were not properly compensated during the audit period. The elected/appointed officials' salaries should be paid in equal payments over a twelve month period. However we noted that in 2006 the Fiscal Officer was not paid in equal installments and in 2007 both the Mayor and the Fiscal Officer were not paid in equal installments.

The Village should implement internal controls that ensure all elected and appointed officials are being paid in equal monthly installments during the course of the year.

Client Response:

The client has chosen not to respond.

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-007

Material Weakness

While agreeing the 2006 beginning balances to the 2005 audited ending balance we noted that the balances did not agree due to the Village not posting the prior years' audit adjustments to their accounting system. Furthermore, the Village failed to record interest earned on the principal balance in its Street Construction, Maintenance & Repaid fund in 2006 and 2007, however the amount of interest calculated was immaterial, therefore the financial statements were not adjusted. Other adjustments were required to be made because the financial statements were materially misstated.

Furthermore, the Village did not provide sufficient documentation to support the following balances:

- Enterprise Revenue Funds – Charges for Services

The aforementioned errors were the result of a lack of internal controls over financial reporting.

The Village should implement application and monitoring controls to ensure that financial statement balances are accurately and completely stated and that adequate records are maintained for utility billings and collections.

Client Response:

The client has chosen not to respond.

FINDING NUMBER 2007-008

Material Noncompliance

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village Council passed an annual appropriation measure for 2007 and 2006, however the Village did not file them with the County Auditor as required.

The Village should pass an annual appropriations measure within the required time frame, and file it with the County Auditor. Furthermore, appropriations should be monitored and amended as necessary.

Client Response:

The client has chosen not to respond.

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-009

Material Weakness

The small size of the Village's staff did not allow for an adequate segregation of duties. The Village Clerk performs all significant utility functions including bill preparation, distribution, receipt and subsequent reconciliation of the bank account. Also, the Fiscal Officer is the sole signature on all checks. The lack of segregation of duties in the utility function and with disbursements increases the risk that an error or irregularity could occur and go undetected. Furthermore, it was noted that individuals other than the Clerk had access to the billing utility system. This could allow for unauthorized adjustments to be made to accounts. It is therefore, important that the Village Council monitor financial activity closely, including all adjustments made to utility customer accounts. By Council monitoring financial activity and budget to actual figures on a regular basis, fiscal problems could be prevented and informed decisions could be made.

The Village should consider segregation of accounting duties to the extent that it is practical in the utility department. Council should also implement a dual signature policy on all checks. Council should be provided monthly financial reports including budget to actual reports and review them with due care.

Client Response:

The client has chosen not to respond.

FINDING NUMBER 2007-010

Material Noncompliance

Ohio Revised Code section 731.13 states in part that the legislative authority of a village shall fix the compensation for all officers, clerks, and employees of the village except as otherwise provided by law.

The Village was unable to provide documentation to support that wages were approved by the Village Council.

The Village Council should fix all compensation for elected officers and maintain the approved amounts in a way that they are made available for audit.

Client Response:

The client has chosen not to respond.

**VILLAGE OF ORIENT
PICKAWAY COUNTY
DECEMBER 31, 2007 AND 2006**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-VOO-001	ORC Section 5705.41(B) Expenditures exceeding appropriations	No	Reissued as 2007-003
2005-VOO-002	ORC Section 5705.41 (D) No prior certification of funds.	No	Reissued as 2007-005
2005-VOO-003	ORC Section 5705.39 Appropriations exceeding estimated resources	No	N/A – due to appropriations and estimated resources reported as zero in 2006 and 2007
2005-VOO-004	The Village did not maintain proper support for checks written	Yes	
2005-VOO-005	Pay rates of Village employees were not approved	No	Reissued as 2007-010
2005-VOO-006	ORC Section 5705.10	No	Reissued as 2007-002



Mary Taylor, CPA
Auditor of State

VILLAGE OF ORIENT

PICKAWAY 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
APRIL 9, 2009**