



Mary Taylor, CPA
Auditor of State

**ORANGE VILLAGE
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

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

To the Members of 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.

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Mary Taylor, CPA
Auditor of State

December 21, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of 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, 2008. 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.

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, 2008 does 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, 2008, 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, 2008, and its combined cash receipts and disbursements for the year 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 December 21, 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.

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

Mary Taylor, CPA
Auditor of State

December 21, 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, 2008**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$950,271	\$51,825	\$0	\$650,510	\$1,652,606
Municipal Income Taxes	3,236,198	0	0	0	3,236,198
Special Assessments	0	2,697	595,512	0	598,209
Intergovernmental Receipts	263,828	160,358	0	138,588	562,774
Charges for Services	115,915	0	0	0	115,915
Fines, Licenses, and Permits	147,167	21,608	0	2,250	171,025
Earnings on Investments	149,529	1,416	0	0	150,945
Miscellaneous	29,093	0	0	0	29,093
Total Cash Receipts	<u>4,892,001</u>	<u>237,904</u>	<u>595,512</u>	<u>791,348</u>	<u>6,516,765</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	2,130,196	214,995	0	0	2,345,191
Community Environment	188,635	0	0	0	188,635
Basic Utility Services	194,727	0	0	0	194,727
Transportation	696,798	92,435	0	0	789,233
General Government	1,008,540	0	0	0	1,008,540
Debt Service:					
Principal and Interest Payments	0	0	938,280	0	938,280
Capital Outlay	66,113	19,795	0	1,161,857	1,247,765
Total Cash Disbursements	<u>4,285,009</u>	<u>327,225</u>	<u>938,280</u>	<u>1,161,857</u>	<u>6,712,371</u>
Total Receipts Over/(Under) Disbursements	<u>606,992</u>	<u>(89,321)</u>	<u>(342,768)</u>	<u>(370,509)</u>	<u>(195,606)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	125,000	77,031	151,300	353,331
Transfers-Out	(276,300)	0	0	(68,557)	(344,857)
Total Other Financing Receipts/(Disbursements)	<u>(276,300)</u>	<u>125,000</u>	<u>77,031</u>	<u>82,743</u>	<u>8,474</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	330,692	35,679	(265,737)	(287,766)	(187,132)
Fund Cash Balances, January 1, 2008	<u>2,372,748</u>	<u>502,531</u>	<u>1,300,967</u>	<u>1,580,557</u>	<u>5,756,803</u>
Fund Cash Balances, December 31, 2008	<u>\$2,703,440</u>	<u>\$538,210</u>	<u>\$1,035,230</u>	<u>\$1,292,791</u>	<u>\$5,569,671</u>

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, 2008**

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$159,147</u>
Total Non-Operating Cash Receipts	<u>159,147</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>332,475</u>
Total Non-Operating Cash Disbursements	<u>332,475</u>
Excess of Receipts Over/(Under) Disbursements Before Inter-fund Transfers and Advances	(173,328)
Other Financing Disbursements:	
Transfers-Out	<u>(8,474)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(181,802)</u>
Fund Cash Balances, January 1, 2008	<u>596,453</u>
Fund Cash Balances, December 31, 2008	<u><u>\$414,651</u></u>

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

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 organizations:

Northeast Ohio Public Energy Council

Northeast Ohio Public Energy Council (NOPEC), a jointly governed organization. NOPEC is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

Regional Council of Governments

The Regional Council of Governments (RCOG) was formed to administer tax collection and enforcement concerns of municipalities. This group established the Regional Income Tax Agency (RITA) which serves as the income tax agency for numerous municipalities throughout the State of Ohio.

Valley Enforcement Regional Council of Governments

The Village is a member of the Valley Enforcement Regional Council of Governments (VERCOG), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit.

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.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

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 STAR Ohio (the State Treasurer's investment pool) which is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

The General Fund 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.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Agency Funds)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Funds:

Contractor's Deposits Fund – 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 object level of control for all 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 does not encumber any transactions prior to entering into an obligation and instead uses the Then and Now certification process permitted by law.

A summary of 2008 budgetary activity appears in Note 3.

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.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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:

	2008
Demand Deposits	\$256,779
Investments:	
U.S. Treasury Notes	688,775
Repurchase Agreement	3,431,000
STAR Ohio	1,607,768
Total Investments	5,727,543
Total Deposits and Investments	\$5,984,322

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending 2008 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,561,604	\$4,892,001	\$330,397
Special Revenue	352,527	362,904	10,377
Debt Service	760,605	672,543	(88,062)
Capital Projects	1,852,391	942,648	(909,743)
Fiduciary	300,000	159,147	(140,853)
Total	\$7,827,127	\$7,029,243	(\$797,884)

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,570,579	\$4,561,309	\$9,270
Special Revenue	464,319	327,225	137,094
Debt Service	760,605	938,280	(177,675)
Capital Projects	2,291,096	1,230,414	1,060,682
Fiduciary	300,000	340,949	(40,949)
Total	<u>\$8,386,599</u>	<u>\$7,398,177</u>	<u>\$988,422</u>

Contrary to Ohio Revised Code § 5705.41(D), the Village did not certify the availability of funds from January through June 2008, and did not encumber for 2008, as required.

Contrary to Ohio Revised Code § 5705.41(B), the following funds had expenditures in excess of appropriations at December 31, 2008:

General Fund:

Transportation:

Service Department:

Personal Service	\$583,161	\$568,471	\$(14,690)
Other Expenses	113,637	100,175	(13,462)

Basic Utilities Services:

Refuse Collection and Disposal:

Other Expenses	194,727	190,000	(4,727)
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General Government:

Executive and Administrative:

Other Expenses	767,747	619,331	(148,416)
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Land and Building:

Other Expenses	202,569	119,300	(83,269)
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Special Revenue Funds:

Police Professional Training:

Other	1,904	0	(1,904)
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Federal Law Enforcement:

Other	21,467	4,000	(17,467)
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State Law Enforcement:

Other	1,082	100	(982)
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Debt Service Funds:

Debt Service Fund:

Other	938,280	760,605	(177,675)
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Capital Projects Funds:

Infrastructure Levy:

Other	883,684	785,000	(98,684)
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Recreation Capital Improvement:

Other	28,676	10,000	(18,676)
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Capital Equipment:

Other	295,852	238,915	(56,937)
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**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

4. 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.

5. 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.

6. 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 2008, 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 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

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.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

7. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Village Hall – Advanced Refunding GO Bonds	\$ 825,000	1.4% to 4.1%
General Obligation Bonds – Lander Watermain	345,000	4.8%
Orange Place South Extension Bonds	1,500,000	2.25% to 5.125%
Orange Place North Bonds	660,000	4% to 5.25%
OPWC Loan - Orange Place North	86,007	0%
OPWC Loan – Harvard Road	118,843	0%
OWDA Loan # 3266	950,618	6.41%
OWDA Loan # 3271	568,339	6.41%
Cuyahoga County – Chagrin Highlands	1,490,000	3% to 5.25%
Cuyahoga County – Miles Road	384,181	2% to 3.55%
Emery Road Improvement Bonds	<u>715,000</u>	4.65% to 5.5%
Total	<u>\$7,642,988</u>	

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.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

7. 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 - 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.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

7. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	Village Hall Advanced Refunding GO Bonds	GO Bonds Lander Watermain	Orange Place South Extension Bonds	Orange Place North Bonds
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	38,338	131,375	63,405
2013	156,950	37,125	128,938	61,935
2014-2018	156,150	264,770	756,250	305,485
2019-2023			695,050	300,650
2024-2028			136,662	63,150
Total	<u>\$939,220</u>	<u>\$457,278</u>	<u>\$2,228,910</u>	<u>977,130</u>

Year ending December 31:	OPWC Loan Orange Place North	OPWC Loan Harvard Road	OWDA Loan #3266	OWDA Loan # 3271
2009	\$5,059	\$9,507	\$95,869	\$57,317
2010	5,059	9,507	95,869	57,317
2011	5,059	9,507	95,869	57,317
2012	5,059	9,507	95,869	57,317
2013	5,059	9,507	95,869	57,317
2014-2018	25,297	47,540	479,346	286,583
2019-2023	25,297	23,769	479,346	286,583
2024-2028	10,118	0	95,869	57,317
Total	<u>\$86,007</u>	<u>\$118,844</u>	<u>\$1,533,906</u>	<u>\$917,068</u>

Year ending December 31:	Cuyahoga County Miles Road	Cuyahoga County Chagrin Highlands	Emery Road Improvement Bonds	Totals
2009	\$104,079	\$138,475	\$57,497	\$848,740
2010	104,301	136,525	56,567	848,513
2011	104,166	138,275	55,637	850,560
2012	103,657	134,775	59,707	856,279
2013	0	136,275	58,545	747,520
2014-2018	0	693,800	295,055	3,310,276
2019-2023	0	682,250	336,475	2,829,420
2024-2028	0	135,850	256,076	755,042
Total	<u>\$416,203</u>	<u>\$2,196,225</u>	<u>\$1,175,559</u>	<u>\$11,046,350</u>

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

9. 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 2008 \$280,655 of gross zone agreement income tax revenue was collected, of which \$142,004 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 Village, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2008, and have issued our report thereon dated December 21, 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 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: 2008-001 and 2008-003.

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 2008-001 and 2008-003 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 matter that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

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, CPA
Auditor of State

December 21, 2009

**ORANGE VILLAGE
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2008-001
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Failure to Encumber – Noncompliance and Material Weakness

During 2008 fiscal year, the Village did not issue purchase orders for any expenditures. Before the Village issues a check for any purchase the department head approves the payment of the invoice, attesting to the receipt of the service or product. All purchases over \$25,000 are bid according to the Village ordinance. All expenditures are approved by the Village Council monthly. Beginning in June 2008, all purchases were certified by the Treasurer with the following statement attached to the monthly list of invoices provided to Council: "I hereby certify that at the time of making the contracts or orders for the expenditures provided for in the foregoing listing and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract was in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances." Therefore, for the first six months of 2008, the Village's method of certifying purchases did not comply with the compliance requirements the following two paragraphs describe. Also, without recording open purchase orders in the accounting system, the accounting system will not keep track of unencumbered balances available for further appropriation.

Ohio Rev. Code § 5705.41(D)(1) states that unless certification is attached to the contract or order involving the expenditure of money at the time such contract or order is made, the fiscal officer must furnish a certificate "stating that at the time of making such contract or order and at the time of execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances." Without such certification no contract or order shall be considered valid nor may a warrant in payment of amounts due upon such contract or order be drawn. Further, for expenditures of \$3,000 or greater, within thirty days of receipt of such certification the taxing authority must authorize by resolution or ordinance the drawing of a warrant in payment of amounts due upon such contract or order before payment may be made.

While Section 5705.41(D)(1) allows the Village to utilize the "then and now" certificates for legal compliance it is not adequate internal control since it does not occur prior to or at the time that the contract or order involving such expenditure was made. As a result, the Village cannot ensure the sufficiency of appropriations available to cover expenditures. This increases the likelihood of the Village over-expending its funds without timely detection by Village management.

We recommend the Village modify their procurement process to include the utilization of purchase orders for all expenditures and that they be certified by the Treasurer prior to or at the time that the contract or order is made.

Village's Response

As stated in this finding we are now in compliance with the legal requirement as we now utilize the "then and now" certificate. In order to further improve internal control we have established an encumbrance system and are using purchase orders as recommended by the Auditor of State.

**ORANGE VILLAGE
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

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

Finding Number	2008-002
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Expenditures Exceeded Appropriations – Material Noncompliance Finding

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.

As reported in Note 3 to the financial statements, the following funds had expenditures in excess of appropriations at December 31, 2008:

<u>Fund/Account</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund:			
Transportation:			
Service Department:			
Personal Service	\$583,161	\$568,471	\$(14,690)
Other Expenses	113,637	100,175	(13,462)
Basic Utilities Services:			
Refuse Collection and Disposal:			
Other Expenses	194,727	190,000	(4,727)
General Government:			
Executive and Administrative:			
Other Expenses	767,747	619,331	(148,416)
Land and Building:			
Other Expenses	202,569	119,300	(83,269)
Special Revenue Funds:			
Police Professional Training:			
Other	1,904	0	(1,904)
Federal Law Enforcement:			
Other	21,467	4,000	(17,467)
State Law Enforcement:			
Other	1,082	100	(982)
Debt Service Funds:			
Debt Service Fund:			
Other	938,280	760,605	(177,675)
Capital Projects Funds:			
Infrastructure Levy:			
Other	883,684	785,000	(98,684)
Recreation Capital Improvement:			
Other	28,676	10,000	(18,676)
Capital Equipment:			
Other	295,852	238,915	(56,937)

**ORANGE VILLAGE
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

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

Finding Number	2008-002
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(Continued)

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. We have also obtained an Amended Appropriation Ordinance approved by Council as recommended by the Auditor of State. It is important to note that the Village has never exceeded its available resources.

Finding Number	2008-003
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Estate Taxes Must be Credited to the General Fund – Material Noncompliance Finding – 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 2008, the Village recorded estate taxes totaling \$79,812 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.

Village's Response

Beginning in 2009, we began crediting Estate Taxes directly to the General Fund as required by ORC Section 5731.48.

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**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	The Village does not certify the availability of funds prior to entering into an obligation as required by Ohio Revised Code Section 5705.41(D)(1).	No	Repeated in 2008 in finding 2008-001
2007-002	Several funds had total fund expenditures in excess of total appropriations contrary to Ohio Revised Code Section 5705.41(B).	No	Repeated in 2008 in finding 2008-002.
2007-003	Transfers were made in amounts not authorized by Council contrary to Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.	Yes	
2007-004	Revenues levied to retire bonds must be paid into the debt service fund as required by Ohio Revised code Section 5705.09.	Yes	
2007-005	Estate taxes must be credited to the General Fund as required by Ohio Revised Code Section 5731.48.	No	Repeated in 2008 in finding 2008-003.



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
JANUARY 19, 2010