



Dave Yost • Auditor of State

**ORANGE VILLAGE
CUYAHOGA COUNTY**

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Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 14, 2012

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Dave Yost • 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 years ended December 31, 2011 and 2010. 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 years ended December 31, 2011 and 2010 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 September 14, 2012, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Orange Village, Cuyahoga County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2012, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 14, 2012

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$870,913	\$48,040		\$607,183	\$1,526,136
Municipal Income Tax	3,136,356				3,136,356
Intergovernmental	522,827	158,932		84,099	765,858
Special Assessments		2,747	\$604,658		607,405
Charges for Services	211,602				211,602
Fines, Licenses and Permits	120,149	55,405		1,500	177,054
Earnings on Investments	43,790	479		4,391	48,660
Miscellaneous	307,912	4,743		53,715	366,370
<i>Total Cash Receipts</i>	<u>5,213,549</u>	<u>270,346</u>	<u>604,658</u>	<u>750,888</u>	<u>6,839,441</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,349,016	244,393			2,593,409
Leisure Time Activities				3,824	3,824
Community Environment	198,732				198,732
Basic Utility Services	165,158				165,158
Transportation	693,026	111,065		571,768	1,375,859
General Government	1,238,698			119,047	1,357,745
Capital Outlay				968,416	968,416
Debt Service:					
Principal Retirement			516,308		516,308
Interest and Fiscal Charges			340,087		340,087
<i>Total Cash Disbursements</i>	<u>4,644,630</u>	<u>355,458</u>	<u>856,395</u>	<u>1,663,055</u>	<u>7,519,538</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>568,919</u>	<u>(85,112)</u>	<u>(251,737)</u>	<u>(912,167)</u>	<u>(680,097)</u>
Other Financing Receipts (Disbursements)					
Transfers In		125,000	147,789	348,282	621,071
Transfers Out	(511,071)			(110,000)	(621,071)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(511,071)</u>	<u>125,000</u>	<u>147,789</u>	<u>238,282</u>	
<i>Net Change in Fund Cash Balances</i>	57,848	39,888	(103,948)	(673,885)	(680,097)
<i>Fund Cash Balances, January 1</i>	<u>2,037,570</u>	<u>419,075</u>	<u>926,801</u>	<u>1,390,912</u>	<u>4,774,358</u>
Fund Cash Balances, December 31					
Restricted		458,963	854,028	377,227	1,690,218
Assigned				339,800	339,800
Unassigned (Deficit)	2,064,243				2,064,243
<i>Fund Cash Balances, December 31</i>	<u>\$2,064,243</u>	<u>\$458,963</u>	<u>\$854,028</u>	<u>\$717,027</u>	<u>\$4,094,261</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 BALANCES (CASH BASIS) - AGENCY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Agency</u>
Non-Operating Receipts	
Miscellaneous Receipts--Deposits	\$150,898
Non-Operating Disbursements	
Other Financing Uses - Refunds, ect.	<u>(207,761)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(56,863)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(56,863)
<i>Fund Cash Balances, January 1</i>	<u>284,805</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$227,942</u></u>

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

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$859,673	\$47,399		\$595,694	\$1,502,766
Municipal Income Tax	3,224,690				3,224,690
Intergovernmental	359,422	161,850		87,665	608,937
Special Assessments		1,747	\$610,854		612,601
Charges for Services	156,012				156,012
Fines, Licenses and Permits	181,895	11,139		4,260	197,294
Earnings on Investments	42,208	841		386	43,435
Miscellaneous	43,358	4,260			47,618
Total Cash Receipts	<u>4,867,258</u>	<u>227,236</u>	<u>610,854</u>	<u>688,005</u>	<u>6,393,353</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	2,391,629	226,513			2,618,142
Community Environment	210,160				210,160
Basic Utility Service	198,055				198,055
Transportation	716,231	101,750			817,981
General Government	1,372,777				1,372,777
Debt Service:					
Redemption of Principal			494,668		494,668
Interest and Fiscal Charges			359,751		359,751
Capital Outlay		249,794		975,696	1,225,490
Total Cash Disbursements	<u>4,888,852</u>	<u>578,057</u>	<u>854,419</u>	<u>975,696</u>	<u>7,297,024</u>
Total Receipts Over/(Under) Disbursements	<u>(21,594)</u>	<u>(350,821)</u>	<u>(243,565)</u>	<u>(287,691)</u>	<u>(903,671)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In		150,000	90,301	485,547	725,848
Transfers-Out	(635,547)			(90,301)	(725,848)
Total Other Financing Receipts / (Disbursements)	<u>(635,547)</u>	<u>150,000</u>	<u>90,301</u>	<u>395,246</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(657,141)	(200,821)	(153,264)	107,555	(903,671)
Fund Cash Balances, January 1	2,694,711	619,896	1,080,065	1,283,357	5,678,029
Fund Cash Balances, December 31	<u><u>\$2,037,570</u></u>	<u><u>\$419,075</u></u>	<u><u>\$926,801</u></u>	<u><u>\$1,390,912</u></u>	<u><u>\$4,774,358</u></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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Agency</u>
Non-Operating Receipts	
Miscellaneous Receipts--Deposits	\$162,975
Non-Operating Disbursements	
Other Financing Uses - Refunds, ect.	<u>(241,943)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(78,968)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(78,968)
<i>Fund Cash Balances, January 1</i>	<u>363,773</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$284,805</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, 2011 AND 2010**

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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records 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 Funds:

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, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

4. Capital Project Funds (continued)

Capital Improvement Fund – This fund is used to fund major expenditures to purchase land or improve or construct Village buildings.

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's agency funds accounts for:

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 or 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 Village 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

G. 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.

H. 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. Change in Accounting Principle

For fiscal year 2011, the Village has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement did not have an effect on the Village's financial statements.

3. Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2010 and December 31, 2011 were as follows:

	2011	2010
Demand deposits	\$3,511,361	\$4,131,388
Investments:		
U.S. Treasury Notes	319,400	436,611
STAR Ohio	491,442	491,164
Total investments	810,842	927,775
Total deposits and investments	\$4,322,203	\$5,059,163

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 are as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,225,349	\$5,213,549	(\$11,800)
Special Revenue	470,766	395,346	(75,420)
Debt Service	639,789	752,447	112,658
Capital Projects	1,110,332	1,099,170	(11,162)
Agency	200,000	150,898	(49,102)
Total	<u>\$7,646,236</u>	<u>\$7,611,410</u>	<u>(\$34,826)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,598,671	\$5,155,701	\$442,970
Special Revenue	419,000	355,458	63,542
Debt Service	875,000	856,395	18,605
Capital Projects	1,990,000	1,773,055	216,945
Agency	230,000	207,761	22,239
Total	<u>\$9,112,671</u>	<u>\$8,348,370</u>	<u>\$764,301</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,816,426	\$4,867,258	\$50,832
Special Revenue	369,509	377,236	7,727
Debt Service	721,984	701,155	(20,829)
Capital Projects	1,157,327	1,173,552	16,225
Agency	20,000	162,975	142,975
Total	<u>\$7,085,246</u>	<u>\$7,282,176</u>	<u>\$196,930</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,666,178	\$5,524,399	\$141,779
Special Revenue	599,500	578,057	21,443
Debt Service	865,000	854,419	10,581
Capital Projects	2,010,500	1,065,997	944,503
Agency	242,000	241,943	57
Total	<u>\$9,383,178</u>	<u>\$8,264,815</u>	<u>\$1,118,363</u>

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

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 withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the Village on the 1st and the 15th of the following month. Income tax revenue is credited entirely to the General Fund.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Village Hall – Advanced Refunding GO Bonds	\$435,000	1.4% to 4.1%
General Obligation Bonds – Lander Watermain	275,000	4.8%
Orange Place South Extension Bonds	1,330,000	2.25% to 5.125%
Orange Place North Bonds	570,000	4% to 5.25%
OPWC Loan - Orange Place North	70,829	0%
OPWC Loan – Harvard Road	90,321	0%
OWDA Loan # 3266	837,050	6.41%
OWDA Loan # 3271	500,440	6.41%
Cuyahoga County – Chagrin Highlands	1,290,000	3% to 5.25%
Cuyahoga County – Miles Road	100,104	2% to 3.55%
Emery Road Improvement Bonds	655,000	4.65 to 5.5%
Total	<u><u>\$6,153,744</u></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 – Orange Place North - 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, 2011 AND 2010
(Continued)**

7. Debt (continued)

The OPWC loan – Harvard Road - 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

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.

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

Year ending December 31:	Village Hall	Lander Watermain	Orange Place	Orange Place
	Refunding Bonds		South Extension Bonds	
2012	\$157,270	\$38,338	\$131,375	\$63,405
2013	156,950	37,125	128,938	61,935
2014	156,150	40,913	161,500	60,430
2015		39,457	156,375	58,890
2016		38,003	151,250	62,315
2017-2021		146,398	699,375	304,800
2022-2026			419,462	182,850
Total	<u>\$470,370</u>	<u>\$340,234</u>	<u>\$1,848,275</u>	<u>\$794,625</u>

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Debt (continued)

Year ending December 31:	OPWC LOAN			
	Orange Place North	OPWC Loan Harvard Rd.	OWDA Loan #3266	OWDA Loan #3271
2012	\$5,059	\$9,507	\$95,869	\$57,317
2013	\$5,059	9,507	\$95,869	\$57,317
2014	\$5,059	9,507	\$95,869	\$57,317
2015	\$5,059	9,507	\$95,869	\$57,317
2016	\$5,059	9,507	\$95,869	\$57,317
2017-2021	25,296	42,786	479,346	286,585
2022-2026	20,238		287,604	171,951
Total	<u>\$70,829</u>	<u>\$90,321</u>	<u>\$1,246,295</u>	<u>\$745,121</u>

Year ending December 31:	Cuyahoga County - Miles Road	Cuyahoga County - Chagrin Highlands	Emery Road Improvement	Totals
	2012	\$103,657	\$134,775	\$59,707
2013		136,275	58,545	747,520
2014		137,525	57,383	781,653
2015		138,525	56,220	617,219
2016		139,063	55,057	613,440
2017-2021		685,737	329,870	3,000,193
2022-2026		411,050	331,051	1,824,206
2027-2031			58,025	58,025
Total	<u>\$103,657</u>	<u>\$1,782,950</u>	<u>\$1,005,858</u>	<u>\$8,498,535</u>

8. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010 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 thru December 31, 2011.

Effective August 3, 1992, any new part-time 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, 2011 AND 2010
(Continued)**

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 2010, \$790,161 of gross zone income tax was collected, of which \$391,702 represents Orange Village's portion. During the fiscal year 2011, \$520,283 of gross zone agreement income tax revenue was collected, of which \$275,995 represents Orange Village's portion.

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Dave Yost • 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 years ended December 31, 2011 and 2010, and have issued our report thereon dated September 14, 2012, wherein the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United State of America. We also noted the Village adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 14, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

September 14, 2012

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	Homestead and Rollback receipts were recorded in the General Fund that should have been recorded in the Infrastructure Fund and Police Pension Fund. The Village also failed to properly record transfers that were approved by Council in their accounting system.	Yes	

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Dave Yost • 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 18, 2012