



Dave Yost • Auditor of State



**ORANGE VILLAGE  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Orange Village, Cuyahoga County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Orange Village, Cuyahoga County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 16, 2014

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$847,035	\$45,787	\$0	\$579,930	\$1,472,752
Municipal Income Tax	3,423,632	0	0	0	3,423,632
Intergovernmental	576,417	160,948	0	227,330	964,695
Special Assessments	0	2,746	593,019	0	595,765
Charges for Services	207,178	0	0	0	207,178
Fines, Licenses and Permits	130,260	12,350	0	2,929	145,539
Earnings on Investments	54,784	290	0	192	55,266
Miscellaneous	122,658	1	0	75,032	197,691
<i>Total Cash Receipts</i>	<u>5,361,964</u>	<u>222,122</u>	<u>593,019</u>	<u>885,413</u>	<u>7,062,518</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	2,531,488	294,851	0	0	2,826,339
Leisure Time Activities	0	0	0	2,574	2,574
Community Environment	169,510	0	0	0	169,510
Basic Utility Services	180,219	0	0	0	180,219
Transportation	565,457	164,493	0	17,518	747,468
General Government	1,115,386	0	0	76,995	1,192,381
Capital Outlay	0	84,248	0	2,638,480	2,722,728
Debt Service:					
Principal Retirement	0	0	457,564	0	457,564
Interest and Fiscal Charges	0	0	295,783	0	295,783
<i>Total Cash Disbursements</i>	<u>4,562,060</u>	<u>543,592</u>	<u>753,347</u>	<u>2,735,567</u>	<u>8,594,566</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>799,904</u>	<u>(321,470)</u>	<u>(160,328)</u>	<u>(1,850,154)</u>	<u>(1,532,048)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	0	0	0	1,002,699	1,002,699
Transfers In	0	215,000	59,491	436,208	710,699
Transfers Out	(701,191)	0	0	(9,508)	(710,699)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(701,191)</u>	<u>215,000</u>	<u>59,491</u>	<u>1,429,399</u>	<u>1,002,699</u>
<i>Net Change in Fund Cash Balances</i>	98,713	(106,470)	(100,837)	(420,755)	(529,349)
<i>Fund Cash Balances, January 1</i>	<u>1,798,587</u>	<u>326,270</u>	<u>768,359</u>	<u>1,556,938</u>	<u>4,450,154</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	219,917	667,522	966,829	1,854,268
Assigned	0	0	0	169,354	169,354
Unassigned (Deficit)	1,897,300	(117)	0	0	1,897,183
<i>Fund Cash Balances, December 31</i>	<u>\$1,897,300</u>	<u>\$219,800</u>	<u>\$667,522</u>	<u>\$1,136,183</u>	<u>\$3,920,805</u>

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

ORANGE VILLAGE  
CUYAHOGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Agency</u>
<b>Non-Operating Cash Receipts</b>	
Miscellaneous Receipts - Deposits	<u>\$266,856</u>
<b>Non-Operating Cash Disbursements</b>	
Other Financing Uses - Refunds	<u>217,146</u>
<i>Net Change in Fund Cash Balances</i>	49,710
<i>Fund Cash Balances, January 1</i>	<u>232,654</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$282,364</u></u>

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



**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$926,575	\$48,268	\$0	\$611,326	\$1,586,169
Municipal Income Tax	3,131,969	0	0	0	3,131,969
Intergovernmental	928,461	161,572	0	77,328	1,167,361
Special Assessments	0	1,373	613,179	0	614,552
Charges for Services	231,828	0	0	0	231,828
Fines, Licenses and Permits	123,479	73,515	0	1,500	198,494
Earnings on Investments	48,049	311	0	375	48,735
Miscellaneous	83,245	0	0	45,117	128,362
<i>Total Cash Receipts</i>	<u>5,473,606</u>	<u>285,039</u>	<u>613,179</u>	<u>735,646</u>	<u>7,107,470</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	2,487,128	283,333	0	0	2,770,461
Leisure Time Activities	0	0	0	3,615	3,615
Community Environment	195,948	0	0	0	195,948
Basic Utility Services	177,484	0	0	0	177,484
Transportation	591,923	114,345	0	140	706,408
General Government	1,271,893	0	0	328,783	1,600,676
Capital Outlay	0	161,054	0	333,842	494,896
Debt Service:					
Principal Retirement	0	0	535,921	0	535,921
Interest and Fiscal Charges	0	0	321,013	0	321,013
<i>Total Cash Disbursements</i>	<u>4,724,376</u>	<u>558,732</u>	<u>856,934</u>	<u>666,380</u>	<u>6,806,422</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>749,230</u>	<u>(273,693)</u>	<u>(243,755)</u>	<u>69,266</u>	<u>301,048</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Fixed Assets	0	0	0	54,845	54,845
Transfers In	0	141,000	158,086	829,800	1,128,886
Transfers Out	(1,014,886)	0	0	(114,000)	(1,128,886)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,014,886)</u>	<u>141,000</u>	<u>158,086</u>	<u>770,645</u>	<u>54,845</u>
<i>Net Change in Fund Cash Balances</i>	<u>(265,656)</u>	<u>(132,693)</u>	<u>(85,669)</u>	<u>839,911</u>	<u>355,893</u>
<i>Fund Cash Balances, January 1</i>	<u>2,064,243</u>	<u>458,963</u>	<u>854,028</u>	<u>717,027</u>	<u>4,094,261</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	326,270	768,359	716,993	1,811,622
Assigned	0	0	0	839,945	839,945
Unassigned (Deficit)	1,798,587	0	0	0	1,798,587
<i>Fund Cash Balances, December 31</i>	<u>\$1,798,587</u>	<u>\$326,270</u>	<u>\$768,359</u>	<u>\$1,556,938</u>	<u>\$4,450,154</u>

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

ORANGE VILLAGE  
CUYAHOGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Agency</u>
<b>Non-Operating Cash Receipts</b>	
Miscellaneous Receipts - Deposits	<u>\$153,621</u>
<b>Non-Operating Cash Disbursements</b>	
Other Financing Uses - Refunds	<u>148,909</u>
<i>Net Change in Fund Cash Balances</i>	4,712
<i>Fund Cash Balances, January 1</i>	<u>227,942</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$232,654</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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Village, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected Mayor and seven-member Council direct the Village. The Village provides general government services, including police, fire, building inspection and recreation programs.

The Village participates in jointly governed organizations. Note 11 to the financial statements provides additional information for these entities. These organizations are:

Chagrin Valley Dispatch Council: A regional council of governments formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center.

Chagrin/Southeast Council of Governments: A regional council of governments formed to assist local fire departments in responding to incidents involving industrial chemicals.

Northeast Ohio Public Energy Council: 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.

Valley Enforcement Regional Council of Governments: A regional council of governments formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit.

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

**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.

**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.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 are used to pay police pension obligations.

**3. Debt Service Fund**

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village's debt service fund receives special assessment receipts and transfers from the General Fund which are used to retire bond and note debt.

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

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

Capital Equipment Fund – This fund is used to fund major expenditures to purchase equipment and vehicles.

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, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**5. Fiduciary Funds**

The Village's Fiduciary funds are 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 account 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, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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 2013 and 2012 budgetary activity appears in Note 3.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance**

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.

**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.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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. 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 was as follows:

	2013	2012
Demand deposits	\$3,607,693	\$3,982,507
Total deposits	3,607,693	3,982,507
U.S. Treasury Notes	103,468	208,485
STAR Ohio	492,008	491,816
Total investments	595,476	700,301
Total deposits and investments	\$4,203,169	\$4,682,808

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

**Investments:** The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form 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.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,037,529	\$5,361,964	\$324,435
Special Revenue	522,716	437,122	(85,594)
Debt Service	755,000	652,510	(102,490)
Capital Projects	2,192,901	2,324,320	131,419
Agency	240,000	266,856	26,856
Total	\$8,748,146	\$9,042,772	\$294,626

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,718,191	\$5,263,251	\$454,940
Special Revenue	701,700	543,592	158,108
Debt Service	800,000	753,347	46,653
Capital Projects	3,036,300	2,745,075	291,225
Agency	0	217,146	(217,146)
Total	<u>\$10,256,191</u>	<u>\$9,522,411</u>	<u>\$733,780</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,390,921	\$5,473,606	\$82,685
Special Revenue	432,481	426,039	(6,442)
Debt Service	750,000	771,265	21,265
Capital Projects	1,579,800	1,620,291	40,491
Agency	155,000	153,621	(1,379)
Total	<u>\$8,308,202</u>	<u>\$8,444,822</u>	<u>\$136,620</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,189,386	\$5,739,262	\$450,124
Special Revenue	620,000	558,732	61,268
Debt Service	900,000	856,934	43,066
Capital Projects	940,000	780,380	159,620
Agency	0	148,909	(148,909)
Total	<u>\$8,649,386</u>	<u>\$8,084,217</u>	<u>\$565,169</u>

**4. 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.

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



**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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 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.

**6. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
General Obligation Refunding Bonds - Village Hall	\$150,000	1.4% to 4.1%
General Obligation Bonds - Lander Watermain	225,000	4.8%
Orange Place South Extension Bonds	1,200,000	2.25% to 5.13%
Orange Place North Bonds	500,000	4% to 5.25%
Ohio Public Works Commission Loan - Orange Place North	63,241	0%
Ohio Public Works Commission Loan - Harvard Road	76,059	0%
Ohio Water Development Authority Loan - Sewer and Stormwater Line Construction	748,475	6.41%
Ohio Water Development Authority Loan - Water Line Construction	447,484	6.41%
Cuyahoga County Bonds - Chagrin Highlands	1,145,000	3% to 5.25%
Emery Road Improvement Bonds	605,000	4.65% to 5.5%
General Obligation Bond Anticipation Notes - Service Building	1,000,000	1%
Total	\$6,160,259	

The Village issued \$1,295,000 in general obligation bonds in 2003 at interest rates varying from 1.4 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.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt (Continued)**

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 for 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.

The OPWC loan for 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

The Cuyahoga County bonds for Chagrin Highlands relate 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.

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.

The General Obligation Bond Anticipation Notes were issued in 2013 for \$1,000,000 in anticipation of the issuance of bonds, for the purpose of paying a portion of the costs of constructing, furnishing and equipping a building to house the Orange Village Service Department. The notes were dated March 5, 2013, and were sold at an interest rate of 1 percent per year to the stated maturity date of the notes. The debt charges on the notes were paid on March 18, 2014.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt (Continued)**

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

Year ending December 31:	Village Hall G.O. Refunding Bonds	Lander Watermain G.O. Bonds	Orange Place South Extension Bonds	Orange Place North Bonds
2014	\$156,150	\$40,913	\$161,500	\$60,430
2015	0	39,457	156,375	58,890
2016	0	38,003	151,250	62,315
2017	0	41,547	146,125	60,475
2018	0	104,850	141,000	63,375
2019-2023	0	0	695,050	300,650
2024-2028	0	0	136,662	63,150
Total	<u>\$156,150</u>	<u>\$264,770</u>	<u>\$1,587,962</u>	<u>\$669,285</u>

Year ending December 31:	Orange Place North OPWC Loan	Harvard Road OPWC Loan	OWDA Loan #3266	OWDA Loan #3271
2014	\$7,589	\$14,261	\$95,869	\$57,317
2015	5,059	9,507	95,869	57,317
2016	5,059	9,507	95,869	57,317
2017	5,059	9,507	95,869	57,317
2018	5,059	9,507	95,869	57,317
2019-2023	25,298	23,770	479,346	286,582
2024-2028	10,118	0	95,869	57,317
Total	<u>\$63,241</u>	<u>\$76,059</u>	<u>\$1,054,560</u>	<u>\$630,484</u>

Year ending December 31:	Cuyahoga County Bonds	Emery Road Improvement Bonds	Service Building G.O. Bond Anticipation Notes	TOTAL
2014	\$137,525	\$57,383	\$1,000,000	\$1,788,937
2015	138,525	56,220	0	617,219
2016	139,063	55,058	0	613,441
2017	139,337	58,895	0	614,131
2018	139,350	67,500	0	683,827
2019-2023	682,250	336,475	0	2,829,421
2024-2028	135,850	256,075	0	755,041
Total	<u>\$1,511,900</u>	<u>\$887,606</u>	<u>\$1,000,000</u>	<u>\$7,902,017</u>

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Retirement Systems**

The Village's police officers belong to the Police and Fire Pension Fund (OP&F). Other employees, except fire fighters 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and the first half of 2013, OP&F participants contributed 10% of their wages. As of July 1, 2013, the contribution rate increased to 10.75%. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

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.

**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.

The Village also provides health insurance, life insurance and dental coverage to full-time employees through a private carrier.

**9. Contingent Liabilities**

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

**10. Joint Economic Development Zone Agreement**

The Village has a Joint Economic Development Zone Agreement with the Cities of Cleveland and Warrensville Heights entered into pursuant to Ohio Revised Code Section 715.69. The City of Cleveland owns property currently situated in the City of Warrensville Heights and the Village, and desires to develop the property to create job opportunities as well as tax and other revenue. The 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, City of Warrensville Heights and the Village will receive 37.5%, 12.5% and 50%, respectively, of the income tax revenue. The Village administers this income tax. During 2013, \$440,344 of gross zone income tax revenue was collected, of which \$215,720 represents the Village's portion. During 2012, \$453,732 of gross zone agreement income tax revenue was collected, of which \$240,718 represents the Village's portion.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**11. Jointly Governed Organizations**

***Chagrin Valley Dispatch Council***

The Village is a member of the Chagrin Valley Dispatch Council (CVD), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center ("RCC"). It is currently comprised of 11 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2013 and 2012, the Village contributed \$230,657 and \$114,177, respectively, to CVD. The 2013 contributions included a pro rata capital cost share of \$103,746 for the formation and construction of a dispatch communications center. Financial information can be obtained by contacting the Village of Chagrin Falls, 21 West Washington Street, Chagrin Falls, Ohio 44022.

***Chagrin/Southeast Council of Governments***

The Village is a member of the Chagrin/Southeast Council of Governments (the Council), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council operates the Chagrin/Southeast HazMat Response Team. The team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a Swat Team. During 2013 and 2012, the Village contributed \$1,458 and \$3,500, respectively, to the Council. Financial information can be obtained by contacting the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

***Northeast Ohio Public Energy Council***

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2013 or 2012. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**ORANGE VILLAGE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**11. Jointly Governed Organizations (Continued)**

***Valley Enforcement Regional Council of Governments***

The Village is a member of Valley Enforcement Regional Council of Governments (VERCOG), 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. It includes the supervision and control of the Valley Enforcement Group ("VEG"), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. The Village contributed \$7,000 to VERCOG in both 2013 and 2012. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Orange Village, Cuyahoga County, (the Village) as of and for the years ended December 31 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

***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, opining 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*.

***Entity's Response to the Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 16, 2014



ORANGE VILLAGE  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

**Financial Reporting – Significant Deficiency**

Sound financial reporting is the responsibility of the Treasurer, Mayor, and Village Council, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made by the Village to their financial statements and, where applicable, to their accounting system:

- In 2013, the Village mis-posted a grant reimbursement in the Capital Projects Fund, resulting in Miscellaneous Receipts being overstated and Intergovernmental Receipts being understated by \$146,043;
- In 2013, the Village mis-posted the reimbursement of a prior payment made to a vendor in the Special Revenue Fund, resulting in overstatements of Capital Outlay Disbursements and Miscellaneous Receipts by \$81,874; and
- In 2012, the Village misposted the Sale of Fixed Assets in the Capital Projects Fund, resulting in Miscellaneous Receipts being overstated and the Sale of Fixed Assets being understated by \$54,845.

The above discrepancies in the posting of financial transactions and financial reporting resulted in adjustments to the financial statements made by the Village.

We recommend the Village take appropriate measures to help ensure financial reports reflect the actual financial activity of the Village.

**Official's Response:** The Finance Department has added additional line items to the revenue ledger which will prevent minor posting errors of this type on future annual reports.

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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  
NOVEMBER 6, 2014**