



OHIO AUDITOR OF STATE
KEITH FABER



**ORANGE VILLAGE
CUYAHOGA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Orange Village, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 Village's internal control. Accordingly, we express no such 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 opinions.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297
www.ohioauditor.gov

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Orange Village, Cuyahoga County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

February 22, 2019

Orange Village
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$833,550	\$39,651	\$0	\$489,004	\$1,362,205
Municipal Income Tax	4,148,323	0	0	0	4,148,323
Intergovernmental	263,709	168,130	0	84,680	516,519
Special Assessments	0	2,747	604,724	0	607,471
Charges for Services	191,066	0	0	0	191,066
Fines, Licenses and Permits	484,828	11,796	0	6,750	503,374
Earnings on Investments	2,599	128	0	5,311	8,038
Miscellaneous	140,563	12	0	96,201	236,776
<i>Total Cash Receipts</i>	<u>6,064,638</u>	<u>222,464</u>	<u>604,724</u>	<u>681,946</u>	<u>7,573,772</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,677,375	242,050	0	0	2,919,425
Leisure Time Activities	0	0	0	3,078	3,078
Community Environment	273,511	0	0	0	273,511
Basic Utility Services	195,730	0	0	0	195,730
Transportation	781,483	108,362	0	7,146	896,991
General Government	1,554,171	0	0	0	1,554,171
Capital Outlay	0	0	0	1,350,951	1,350,951
Debt Service:					
Principal Retirement	0	0	313,520	0	313,520
Interest and Fiscal Charges	0	0	167,202	0	167,202
<i>Total Cash Disbursements</i>	<u>5,482,270</u>	<u>350,412</u>	<u>480,722</u>	<u>1,361,175</u>	<u>7,674,579</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>582,368</u>	<u>(127,948)</u>	<u>124,002</u>	<u>(679,229)</u>	<u>(100,807)</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	185,000	9,508	310,554	505,062
Transfers Out	(495,554)	0	0	(9,508)	(505,062)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(495,554)</u>	<u>185,000</u>	<u>9,508</u>	<u>301,046</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	86,814	57,052	133,510	(378,183)	(100,807)
<i>Fund Cash Balances, January 1</i>	<u>2,391,344</u>	<u>246,544</u>	<u>147,914</u>	<u>774,355</u>	<u>3,560,157</u>
Fund Cash Balances, December 31					
Restricted	0	303,596	281,424	37,749	622,769
Assigned	0	0	0	358,423	358,423
Unassigned (Deficit)	2,478,158	0	0	0	2,478,158
<i>Fund Cash Balances, December 31</i>	<u>\$2,478,158</u>	<u>\$303,596</u>	<u>\$281,424</u>	<u>\$396,172</u>	<u>\$3,459,350</u>

See accompanying notes to the basic financial statements

Orange Village
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017

	<u>Agency</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts - Deposits	\$541,460
Other Financing Uses - Refunds and Reimbursements	(460,379)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>81,081</u>
<i>Fund Cash Balances, January 1</i>	<u>240,706</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$321,787</u></u>

See accompanying notes to the basic financial statements

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

Orange Village (the Village), Cuyahoga County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected Mayor and seven-member Council directs the Village. The Village provides general government services, including police, fire, building inspection and recreation programs.

Jointly Governed Organizations

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Pension Fund This fund is used to account for property taxes and transfers from the General Fund which is used to pay police obligations.

Debt Service Fund This fund accounts for and report 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.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 for 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.

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 municipal building construction fund accounts for and reports proceeds of general obligation bonds. The proceeds are restricted for construction of a new municipal building.

Municipal Building Construction Fund The municipal building construction fund accounts for and reports proceeds of general obligation bonds. The proceeds are restricted for construction of a new municipal building.

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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 2017 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

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:

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

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.

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.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,292,037	\$6,064,638	(\$227,399)
Special Revenue	408,000	407,464	(536)
Debt Service	609,000	614,232	5,232
Capital Projects	1,094,500	992,500	(102,000)
Fiduciary	356,700	541,460	184,760
Total	\$8,760,237	\$8,620,294	(\$139,943)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,480,321	\$5,977,824	\$502,497
Special Revenue	404,600	350,412	54,188
Debt Service	650,000	480,722	169,278
Capital Projects	1,360,000	1,370,683	(10,683)
Fiduciary	0	460,379	(460,379)
Total	\$8,894,921	\$8,640,020	\$254,901

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – 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:

	<u>2017</u>
Demand deposits	\$3,280,496
STAR Ohio	<u>500,641</u>
Total deposits and investments	<u><u>\$3,781,137</u></u>

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

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 the following January. If the property owner elects to pay semiannually, the first half is due the following January. The second half payment is due the following July.

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.

Income Taxes

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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Taxes collected by RITA in one month are remitted to the Village on the 1st and 15th of the following month.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - 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 for health insurance, life insurance and dental coverage to full-time employees through a private carrier.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

The Village's part-time firefighters hired after August 3, 1992 contribute to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Lander Watermain	\$100,000	4.8%
Orange Place South Extension Bonds	\$800,000	2.25% to 5.125%
Orange Place North Bonds	\$350,000	4% to 5.25%
Ohio Public Works Commission Loan - Orange Place North	\$43,004	0%
Ohio Public Works Commission Loan - Harvard Road	\$38,030	0%
Ohio Water Development Authority Loan - Sewer and Stormwater Line Construction	\$533,983	4%
Ohio Water Development Authority Loan - Water Line Construction	\$319,249	4%
Cuyahoga County Bonds - Chagrin Highlands	\$795,000	3% to 5.25%
Emery Road Improvement Bonds	500,000	4.65% to 5.5%
Total	<u>\$3,479,266</u>	

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 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.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Amortization

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

Year Ending December 31:	Lander Watermain G.O. Bonds	Orange Place South Extension Bonds	Orange Place North Bonds	Orange Place North OPWC Loan	Harvard Road OPWC Loan
2018	\$104,850	\$141,000	\$63,375	\$5,059	\$9,507
2019	0	135,875	61,013	5,059	9,507
2020	0	130,750	58,650	5,059	9,507
2021	0	145,625	61,287	5,059	9,507
2022	0	139,475	58,663	5,059	0
2023-2027	0	279,987	124,187	17,709	0
Total	<u>\$104,850</u>	<u>\$972,712</u>	<u>\$427,175</u>	<u>\$43,004</u>	<u>\$38,028</u>

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Year Ending December 31:	OWDA Loan #3266	OWDA Loan #3271	Cuyahoga County Bonds	Emery Road Improvement Bonds	Totals
2018	\$83,372	\$49,845	\$256,519	\$67,500	\$781,027
2019	84,905	50,762	134,100	70,300	551,521
2020	86,539	51,738	134,100	67,825	544,168
2021	88,279	52,778	138,850	65,350	566,735
2022	90,131	53,886	138,100	67,875	553,189
2023-2027	186,313	111,390	272,950	321,200	1,313,736
Total	<u>\$619,539</u>	<u>\$370,399</u>	<u>\$1,074,619</u>	<u>\$660,050</u>	<u>\$4,310,376</u>

Note 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 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 2017, \$514,210 of gross zone agreement income tax revenue was collected, of which \$251,559 represents the Village’s portion.

Note 11 – Jointly Governed Organizations

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. 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). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 13 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 an raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. 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 2017, the Village contributed \$148,274 to the CVD. Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville Road, Brecksville, Ohio 44141.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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. The Village contributed \$3,500 to the Council in 2017. 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). NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in 200 communities in 13 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the ten-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 2017. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

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 2017. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

Orange Village
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$995,120	\$50,213	\$0	\$635,996	\$1,681,329
Municipal Income Tax	3,963,699	0	0	0	3,963,699
Intergovernmental	148,046	168,079	0	158,574	474,699
Special Assessments	0	2,747	593,814	0	596,561
Charges for Services	204,787	0	0	0	204,787
Fines, Licenses and Permits	895,902	5,434	0	4,500	905,836
Earnings on Investments	2,155	71	0	2,638	4,864
Miscellaneous	85,179	0	0	11,887	97,066
<i>Total Cash Receipts</i>	<u>6,294,888</u>	<u>226,544</u>	<u>593,814</u>	<u>813,595</u>	<u>7,928,841</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,606,369	236,669	0	0	2,843,038
Leisure Time Activities	0	0	0	2,752	2,752
Community Environment	263,187	0	0	0	263,187
Basic Utility Services	187,383	0	0	0	187,383
Transportation	799,678	67,202	0	974	867,854
General Government	1,285,221	0	0	19,282	1,304,503
Capital Outlay	0	0	0	1,196,003	1,196,003
Debt Service:					
Principal Retirement	0	0	380,492	0	380,492
Interest and Fiscal Charges	0	0	194,019	0	194,019
<i>Total Cash Disbursements</i>	<u>5,141,838</u>	<u>303,871</u>	<u>574,511</u>	<u>1,219,011</u>	<u>7,239,231</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,153,050</u>	<u>(77,327)</u>	<u>19,303</u>	<u>(405,416)</u>	<u>689,610</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	170,000	9,508	384,846	564,354
Transfers Out	(554,846)	0	0	(9,508)	(564,354)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(554,846)</u>	<u>170,000</u>	<u>9,508</u>	<u>375,338</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	598,204	92,673	28,811	(30,078)	689,610
<i>Fund Cash Balances, January 1 - Restated (See Note 3)</i>	<u>1,793,140</u>	<u>153,871</u>	<u>119,103</u>	<u>804,433</u>	<u>2,870,547</u>
Fund Cash Balances, December 31					
Restricted	0	246,544	147,914	366,886	761,344
Assigned	0	0	0	407,469	407,469
Unassigned (Deficit)	2,391,344	0	0	0	2,391,344
<i>Fund Cash Balances, December 31</i>	<u>\$2,391,344</u>	<u>\$246,544</u>	<u>\$147,914</u>	<u>\$774,355</u>	<u>\$3,560,157</u>

See accompanying notes to the basic financial statements

Orange Village
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016

	Agency
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts - Deposits	\$359,394
Other Financing Uses - Refunds and Reimbursements	(410,816)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(51,422)</i>
<i>Fund Cash Balances, January 1 - Restated (See Note 3)</i>	<i>292,128</i>
<i>Fund Cash Balances, December 31</i>	<i>\$240,706</i>

See accompanying notes to the basic financial statements

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

Orange Village (the Village), Cuyahoga County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected Mayor and seven-member Council directs the Village. The Village provides general government services, including police, fire, building inspection and recreation programs.

Jointly Governed Organizations

The Village participates in jointly governed organizations. Note 12 to the financial statements provides additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Pension Fund This fund is used to account for property taxes and transfers from the General Fund which is used to pay police obligations.

Debt Service Fund This fund accounts for and report 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.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 for 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.

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 municipal building construction fund accounts for and reports proceeds of general obligation bonds. The proceeds are restricted for construction of a new municipal building.

Municipal Building Construction Fund The municipal building construction fund accounts for and reports proceeds of general obligation bonds. The proceeds are restricted for construction of a new municipal building.

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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 2016 budgetary activity appears in Note 4.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

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:

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

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.

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.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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.

Note 3 - Restatement of Prior Year Balances

The Village discovered inconsistencies in its accounting of various transactions within its agency fund in previous years, which that it corrected through the following changes to fund cash balances as of January 1, 2016:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Agency</u>
Fund Cash Balances, January 1, 2016	\$1,777,707	\$770,391	\$341,603
Adjustment to Fund Cash Balances	<u>15,433</u>	<u>34,042</u>	<u>(49,475)</u>
Fund Cash Balances, January 1, 2016	<u>\$1,793,140</u>	<u>\$804,433</u>	<u>\$292,128</u>

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$5,316,597	\$6,294,888	\$978,291
Special Revenue	412,850	396,544	(16,306)
Debt Service	600,000	603,322	3,322
Capital Projects	1,253,814	1,198,441	(55,373)
Fiduciary	200,000	359,394	159,394
Total	<u>\$7,783,261</u>	<u>\$8,852,589</u>	<u>\$1,069,328</u>

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,130,976	\$5,696,684	\$434,292
Special Revenue	404,480	303,871	100,609
Debt Service	650,000	574,511	75,489
Capital Projects	1,665,000	1,228,519	436,481
Fiduciary	54,167	410,816	(356,649)
Total	\$8,904,623	\$8,214,401	\$690,222

Note 5 – 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:

	2016
Demand deposits	\$3,305,532
STAR Ohio	495,331
Total deposits and investments	\$3,800,863

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 6 – Taxes

Property Taxes

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 the following January. If the property owner elects to pay semiannually, the first half is due the following January. The second half payment is due the following July.

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

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Income Taxes

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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Taxes collected by RITA in one month are remitted to the Village on the 1st and 15th of the following month.

Note 7 - 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 for health insurance, life insurance and dental coverage to full-time employees through a private carrier.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Social Security

The Village’s part-time firefighters hired after August 3, 1992 contribute to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
General Obligation Bonds - Lander Watermain	\$135,000	4.8%
Orange Place South Extension Bonds	\$900,000	2.25% to 5.125%
Orange Place North Bonds	\$390,000	4% to 5.25%
Ohio Public Works Commission Loan - Orange Place North	\$48,063	0%
Ohio Public Works Commission Loan - Harvard Road	\$47,537	0%
Ohio Water Development Authority Loan - Sewer and Stormwater Line Construction	\$592,783	4%
Ohio Water Development Authority Loan - Water Line Construction	\$354,403	4%
Cuyahoga County Bonds - Chagrin Highlands	\$890,000	3% to 5.25%
Emery Road Improvement Bonds	530,000	4.65% to 5.5%
Total	<u>\$3,887,786</u>	

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
For the Year Ended December 31, 2016

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.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Amortization

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

Year Ending December 31:	Lander Watermain G.O. Bonds	Orange Place South Extension Bonds	Orange Place North Bonds	Orange Place North OPWC Loan	Harvard Road OPWC Loan
2017	\$41,547	\$146,125	\$60,475	\$5,059	\$9,507
2018	104,850	141,000	63,375	5,059	9,507
2019	0	135,875	61,013	5,059	9,507
2020	0	130,750	58,650	5,059	9,507
2021	0	145,625	61,287	5,059	9,507
2022-2026	0	419,462	182,850	22,768	0
Total	<u>\$146,397</u>	<u>\$1,118,837</u>	<u>\$487,650</u>	<u>\$48,063</u>	<u>\$47,535</u>

Year Ending December 31:	OWDA Loan #3266	OWDA Loan #3271	Cuyahoga County Bonds	Emery Road Improvement Bonds	Totals
2017	\$81,932	\$48,984	\$139,337	\$58,895	\$591,861
2018	83,372	49,845	139,350	67,500	663,858
2019	84,905	50,762	134,100	70,300	551,521
2020	86,539	51,738	134,100	67,825	544,168
2021	88,279	52,778	138,850	65,350	566,735
2022-2026	276,444	165,276	411,050	331,050	1,808,900
2027-2031	0	0	0	58,025	58,025
Total	<u>\$701,471</u>	<u>\$419,383</u>	<u>\$1,096,787</u>	<u>\$718,945</u>	<u>\$4,785,068</u>

Note 11 – 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 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 2016, \$511,387 of gross zone agreement income tax revenue was collected, of which \$250,174 represents the Village's portion.

Orange Village
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 12 – Jointly Governed Organizations

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. 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). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 13 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 ORC. 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 2016, the Village contributed \$140,573 to the CVD. Financial information can be obtained by contacting the City of Brecksville, 9069 Brecksville Road, Brecksville, Ohio 44141.

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. The Village contributed \$3,500 to the Council in 2016. Financial information can be obtained by contacting the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

Northeast Ohio Public Energy Council

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NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the ten-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 2016. 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
For the Year Ended December 31, 2016

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 2016. Financial information can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

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OHIO AUDITOR OF STATE KEITH FABER



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 the cash balances, receipts, and disbursements by fund type of the Orange Village, Cuyahoga County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated February 22, 2019 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297
www.ohioauditor.gov

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Village'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 subject the Village's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 22, 2019

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Agency Fund Transfers – Noncompliance and Material Weakness

Ohio Rev. Code § 5705.14 provides that no transfer can be made from one fund of a subdivision to any other fund, by order of the court or otherwise, with certain limited exceptions, as follows:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable;
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision;
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund; provided that if such transfer is impossible by reason of the nonexistence of the fund to receive the transfer, such unexpended balance, with the approval of the court of common pleas of the county in which such division is located, may be transferred to any other fund of the subdivision;
- Money in a bond fund or bond retirement fund of a city, local, exempted village, cooperative education, or joint vocational school district may be transferred to a specific permanent improvement fund provided that the county budget commission of the county in which the school district is located approves the transfer upon its determination that the money transferred will not be required to meet the obligations payable from the bond fund or bond retirement fund. In arriving at such a determination, the county budget commission shall consider the balance of the bond fund or bond retirement fund, the outstanding obligations payable from the fund, and the sources and timing of the fund's revenue;
- The unexpended balance in any special fund, other than an improvement fund may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund; and
- Money may be transferred from the general fund to any other fund of the subdivision.

Additionally, in our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

The following weaknesses were noted and subsequent adjustments made by the Village to its financial statements for 2017:

- Receipts and disbursements totaling \$31,766, and reclassifications totaling \$2,331, respectively, within the Village's Agency Fund, were misposted as transfers in and transfers out; and
- A reclassification of \$4,692 from the Village's General Fund to its Agency Fund was approved and misposted as transfers in and out.

**ORANGE VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

**FINDING NUMBER 2017-001
(Continued)**

Agency Fund Transfers – Noncompliance and Material Weakness (Continued)

The following weaknesses and noncompliance was noted and subsequent adjustments made by the Village to its financial statements for 2016:

- Receipts and disbursements within the Village's agency fund totaling \$67,090 were misposted as transfers in and transfers out; and
- Reclassifications from the Village's Agency Fund to its General Fund in the amount of \$20,125 and its Capital Projects Fund in the amount of \$34,042, respectively, were approved and misposted as transfers in and out. In addition to being misposted, these transfers were also in violation of the above Ohio Rev. Code requirements.

The lack of controls over the posting of financial transactions and financial reporting resulted in errors and mispostings that required adjustments, as well as noncompliance.

Officials' Response: The Village reported monies in the Agency Fund for capital project revenue and when this was discovered, Council approved transfers to move the monies from the Agency Fund to the Capital Fund. However, instead of transferring the monies, this should have been treated as a reclassification to reallocate the monies to the appropriate Fund. The Village also transferred funds held in the Agency Fund as unclaimed monies to the General Fund. Council approved a transfer to move the monies from the Agency Fund to the General Fund, however instead of transferring the funds, this should have been treated as a disbursement entry to reallocate the monies to the General Fund. Moving the monies to the appropriate fund was necessary, however, the way it was moved was incorrect.

OHIO AUDITOR OF STATE
KEITH FABER



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
MARCH 7, 2019**