



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF ORANGE
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Orange, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Orange, Cuyahoga County, Ohio, as of December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2 to the accompanying financial statements, during fiscal year 1999, the Village reclassified the Mayors Court Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2000 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 grants.

This report is intended solely for the information and use of management, Finance Committee, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 17, 2000

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**VILLAGE OF ORANGE
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$2,616,935	\$31,581	\$0	\$455,420	\$3,103,936
Intergovernmental Receipts	135,438	76,427	0	510,127	721,992
Charges for Services	6,713	0	0	0	6,713
Fines, Licenses, and Permits	158,484	60	0	12,750	171,294
Miscellaneous	46,289	0	0	77,348	123,637
Total Cash Receipts	<u>2,963,859</u>	<u>108,068</u>	<u>0</u>	<u>1,055,645</u>	<u>4,127,572</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,256,600	111,763	0	0	1,368,363
Community Environment	107,676	0	0	0	107,676
Basic Utility Services	110,258	0	0	0	110,258
Transportation	356,781	68,876	0	0	425,657
General Government	392,505	0	0	0	392,505
Debt Service:					
Principal Payments	0	0	375,000	0	375,000
Interest Payments and Fiscal Charges	0	0	215,248	242	215,490
Capital Outlay	0	0	0	1,080,433	1,080,433
Total Disbursements	<u>2,223,820</u>	<u>180,639</u>	<u>590,248</u>	<u>1,080,675</u>	<u>4,075,382</u>
Total Receipts Over/(Under) Disbursements	<u>740,039</u>	<u>(72,571)</u>	<u>(590,248)</u>	<u>(25,030)</u>	<u>52,190</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	0	0	0	1,400,000	1,400,000
Transfers-In	0	90,000	590,248	255,000	935,248
Transfers-Out	(345,000)	0	0	(590,248)	(935,248)
Total Other Financing Receipts/(Disbursements)	<u>(345,000)</u>	<u>90,000</u>	<u>590,248</u>	<u>1,064,752</u>	<u>1,400,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>395,039</u>	<u>17,429</u>	<u>0</u>	<u>1,039,722</u>	<u>1,452,190</u>
Fund Cash Balances January 1, 1999	<u>452,415</u>	<u>85,205</u>	<u>0</u>	<u>1,588,675</u>	<u>2,126,295</u>
Fund Cash Balances, December 31, 1999	<u>\$847,454</u>	<u>\$102,634</u>	<u>\$0</u>	<u>\$2,628,397</u>	<u>\$3,578,485</u>

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

**VILLAGE OF ORANGE
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE -
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Agency Fund
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$1,193,862
Total Non-Operating Cash Receipts	1,193,862
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	1,141,250
Total Non-Operating Cash Disbursements	1,141,250
Net Receipts Over/(Under) Disbursements	52,612
Fund Cash Balances, January 1, 1999	723,963
Fund Cash Balances, December 31, 1999	\$776,575
Reserve for Encumbrances, December 31, 1999	\$0

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

**VILLAGE OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

VILLAGE OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village uses this fund to receive transfers from the Capital Projects Funds for the payment of bonds and note indebtedness.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Project Funds:

Infrastructure Levy Fund - This fund is used to account for property taxes used for road improvements.

Capital Equipment Fund - This fund is used to account for General Fund transfers used for the purchase of capital equipment and land acquisitions.

Orange Place Extension - This fund is used to account for the proceeds from the sale of notes for the purpose of improving Orange Place and the Orange Place extension.

5. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Contractors Deposits - This fund is used to account for the collection and distribution of contractor's deposits.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. RESTATEMENT OF FUND

As of January 1, 1999, the Village General Fund Balance changed from \$455,018 to \$452,415 and the Agency Fund Balance changed from \$721,360 to \$723,963 due to a restatement of the Mayors Court activity.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>
Demand deposits	\$ 91,085
Total deposits	<u>91,085</u>
STAR Ohio	<u>4,263,975</u>
Total investments	<u>4,263,975</u>
Total deposits and investments	<u><u>\$ 4,355,060</u></u>

VILLAGE OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,588,377	\$ 2,963,859	\$ 375,482
Special Revenue	189,996	198,068	8,072
Debt Service	2,854,690	590,248	(2,264,442)
Capital Projects	5,902,926	2,710,645	(3,192,281)
Total	\$ 11,535,989	\$ 6,462,820	\$ (5,073,169)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,883,000	\$ 2,568,820	\$ 314,180
Special Revenue	190,000	180,639	9,361
Debt Service	616,000	590,248	25,752
Capital Projects	1,477,000	1,670,923	(193,923)
Total	\$ 5,166,000	\$ 5,010,630	\$ 155,370

As of December 31, 1999, the Special Revenue - Street Construction Maintenance and Repair, and Police Pension Funds, and the Capital Projects - Infrastructure Levy and Lander Watermain Funds, had expenditures in excess of the amount appropriated contrary to Section 5705.41(B), Ohio Revised Code, in the amounts of \$5,368, \$11,763, \$248,032, and \$39,996, respectively.

5. PROPERTY TAX

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

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

VILLAGE OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

5. PROPERTY TAX (Continued)

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

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

6. INCOME TAX

The Village levies an income tax of 2% on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. The tax also applies to the net income of business operating within the Village.

7. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Village Hall	\$ 1,505,000	3.85% to 6.2%
General Obligation Bonds - Service Vehicle	10,000	3.85% to 4.25%
General Obligation Bonds - Various Purpose	2,675,000	3.7% to 4.85%
Orange Place - Bond Anticipation Notes	<u>1,400,000</u>	4.25%
Total	<u>\$ 5,590,000</u>	

The Village Hall Bonds issued in 1994, relate to the construction of the Village Hall, and are being repaid in semiannual installments, including interest, over 20 years.

The Service Vehicle Bonds issued in 1996, relate to the purchase of vehicles for the Service Department, and are being repaid in semiannual installments, including interest, over 5 years.

The Various Purpose Bond issued in 1998, relate to street improvements, and are being repaid in semiannual installments, including interest, over 10 years.

The Orange Place - Bond Anticipation Note relates to the improving of Orange Place and the Orange Place extension. This note will be repaid in one installment of \$1,459,500, which includes \$59,500 of interest, payable at maturity one year from the purchase date.

VILLAGE OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

7. DEBT (Continued)

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

Year ending December 31:	Village Hall Bonds	Service Vehicle Bonds	Various Purpose Bonds
2000	\$ 153,633	\$ 10,425	\$ 411,458
2001	155,318	0	405,058
2002	156,678	0	403,162
2003	157,702	0	405,562
2004	153,383	0	397,198
Subsequent	<u>1,554,837</u>	<u>0</u>	<u>1,321,087</u>
Total	<u>\$ 2,331,551</u>	<u>\$ 10,425</u>	<u>\$ 3,343,525</u>

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

9. RISK MANAGEMENT

The Village is a member of the Ohio Risk Management Plan (the Plan). The Plan assumes the risk of loss up to the limits of the Village's policy. The Plan may assess supplemental premiums. The following risks are covered by the Plan:

- General liability and casualty
- Public official's liability
- Vehicle

10. SUBSEQUENT EVENTS

In January 2000, the Village issued \$600,000 of bond anticipation notes for the purpose of the Harvard Road landscape and streetscape improvements.

11. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit currently under appeal. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of Orange, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 1999 and have issued our report thereon dated May 17, 2000, in which we noted the Village reclassified a fund. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-30818-001 and 1999-30818-002.

We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated May 17, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated May 17, 2000.

This report is intended for the information and use of management, Finance Committee and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 19, 2000

**VILLAGE OF ORANGE
SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-30818-001
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Ohio Rev. Code Section 5705.41(B) prohibits an expenditure of money unless it has been appropriated.

As of December 31, 1999, the Special Revenue - Street Construction Maintenance and Repair, and Police Pension Funds, and the Capital Projects - Infrastructure Levy and Lander Watermain Funds, had expenditures in excess of the amount appropriated in the amounts of \$5,368, \$11,763, \$248,032, and \$39,996, respectively.

We recommend the Village compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to ensure compliance with the above requirements. This comparison should be completed on a monthly basis at a minimum.

Finding Number	1999-30818-002
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Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make an expenditure on money unless the funds have been properly appropriated. Also, no order or contract involving the expenditure of money shall be made unless there is attached thereto a certificate of the fiscal officer that the amount required to meet such commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of the appropriate fund free from any previous encumbrances. The Village did not certify the funds as required.

We recommend that the Village strengthen its controls over expenditures and prepare and approve purchase orders prior to purchasing goods and services. Also, the Village should include specific language in all purchase orders addressing the certification of funds.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF ORANGE

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
JUNE 22, 2000**