

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2005 and 2004

RHONDA BEAVERS, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Village Council
Village of Orient
36 Main Street
P.O. Box 300
Commercial Point, Ohio 43116

We have reviewed the *Independent Auditor's Report* of the Village of Orient, Pickaway County, prepared by Julian and Grube, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Orient is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

October 16, 2006

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**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Members of Council and Mayor
Village of Orient
P.O. Box 63
Orient, OH 43146

We have audited the accompanying financial statements of the Village of Orient, Pickaway County, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village of Orient's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 described more fully in Note 2, the Village of Orient has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village of Orient to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village of Orient does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Orient has elected not to reformat its statements. Since this Village of Orient does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Orient as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Orient, Pickaway County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

Members of Council and Mayor
Village of Orient
Page 2

As disclosed in Note 3 to the financial statements, the Village of Orient has a prior period adjustment to restate the enterprise sewer fund cash and fund balance at January 1, 2004.

The aforementioned revision to generally accepted accounting principles also requires the Village of Orient to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village of Orient has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2006, on our consideration of the Village of Orient's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
August 15, 2006

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2005 AND 2004

<u>Cash and Cash Equivalents</u>	2005	2004
Cash and Cash Equivalents	\$ 258,173	\$ 268,909
Total Cash and Cash Equivalents	\$ 258,173	\$ 268,909
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 35,903	\$ 33,894
Special Revenue	182,224	158,893
Total Governmental Fund Types	218,127	192,787
 <u>Proprietary Fund Type:</u>		
Enterprise	40,046	76,122
Total Fund Balances	\$ 258,173	\$ 268,909

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 5,708	\$ 1,216	\$ 6,924
Intergovernmental	22,943	42,349	65,292
Fines, licenses, and permits	375	-	375
Interest	570	1,805	2,375
Total cash receipts	<u>29,596</u>	<u>45,370</u>	<u>74,966</u>
Cash disbursements:			
Current:			
Security of persons and property	5,900	-	5,900
Public health services	165	-	165
Basic utility services	213	-	213
Transportation	-	22,039	22,039
General government	21,309	-	21,309
Total cash disbursements	<u>27,587</u>	<u>22,039</u>	<u>49,626</u>
Total cash receipts over cash disbursements	2,009	23,331	25,340
Cash fund balances, January 1, 2005	<u>33,894</u>	<u>158,893</u>	<u>192,787</u>
Cash fund balances, December 31, 2005	<u>\$ 35,903</u>	<u>\$ 182,224</u>	<u>\$ 218,127</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN CASH FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 25,227
Total operating cash receipts	25,227
Operating cash disbursements:	
Contractual services	41,544
Supplies and materials	89,285
Capital outlay	128,647
Total operating cash disbursements	259,476
Operating (loss)	(234,249)
Nonoperating cash receipts/(disbursements):	
Intergovernmental receipts	66,345
Proceeds of notes	147,045
Debt service:	
Principal	(8,655)
Interest	(6,562)
Total nonoperating cash receipts/(disbursements)	198,173
Net cash receipts under cash disbursements	(36,076)
Cash fund balances, January 1, 2005	76,122
Cash fund balances, December 31, 2005	\$ 40,046

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 46,377	\$ 36,203	\$ 82,580	\$ 29,596	\$ (6,607)	\$ 1,392	\$ 81,187	\$ 82,579	\$ 27,587	\$ 858	\$ 28,445	\$ 54,134
Special Revenue	150,306	42,280	192,586	45,370	3,090	-	192,586	192,586	22,039	1,073	23,112	169,474
Proprietary:												
Enterprise	70,703	69,000	139,703	238,617	169,617	2,302	137,402	139,704	274,693	24,039	298,732	(159,028)
Total (Memorandum Only)	<u>\$ 267,386</u>	<u>\$ 147,483</u>	<u>\$ 414,869</u>	<u>\$ 313,583</u>	<u>\$ 166,100</u>	<u>\$ 3,694</u>	<u>\$ 411,175</u>	<u>\$ 414,869</u>	<u>\$ 324,319</u>	<u>\$ 25,970</u>	<u>\$ 350,289</u>	<u>\$ 64,580</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 5,195	\$ 2,121	\$ 7,316
Intergovernmental	28,274	46,636	74,910
Fines, licenses, and permits	352	-	352
Interest	418	1,642	2,060
Total cash receipts	<u>34,239</u>	<u>50,399</u>	<u>84,638</u>
Cash disbursements:			
Current:			
Security of persons and property	5,823	-	5,823
Basic utility services	277	-	277
Transportation	-	13,790	13,790
General government	23,819	-	23,819
Total cash disbursements	<u>29,919</u>	<u>13,790</u>	<u>43,709</u>
Total cash receipts over cash disbursements	<u>4,320</u>	<u>36,609</u>	<u>40,929</u>
Other financing receipts:			
Other sources	13,183	-	13,183
Total other financing receipts	<u>13,183</u>	<u>-</u>	<u>13,183</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements	17,503	36,609	54,112
Cash fund balances, January 1, 2004	<u>16,391</u>	<u>122,284</u>	<u>138,675</u>
Cash fund balances, December 31, 2004	<u>\$ 33,894</u>	<u>\$ 158,893</u>	<u>\$ 192,787</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 14,957
Total operating cash receipts	14,957
Operating cash disbursements:	
Contractual services	64,778
Supplies and materials	230
Capital outlay	556,515
Total operating cash disbursements	621,523
Operating (loss)	(606,566)
Nonoperating cash receipts/(disbursements):	
Intergovernmental receipts	428,561
Proceeds of notes	177,955
Debt service:	
Interest	(387)
Total nonoperating cash receipts/(disbursements)	606,129
Net cash receipts over cash disbursements	(437)
Cash fund balances, January 1, 2004 - (restated)	76,559
Cash fund balances, December 31, 2004	\$ 76,122

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 27,334	\$ 37,553	\$ 64,887	\$ 47,422	\$ 9,869	\$ -	\$ 64,887	\$ 64,887	\$ 29,919	\$ 1,392	\$ 31,311	\$ 33,576
Special Revenue	115,338	42,280	157,618	50,399	8,119	-	157,618	157,618	13,790	-	13,790	143,828
Proprietary:												
Enterprise	56,207	17,000	73,207	621,473	604,473	2,000	69,207	71,207	621,910	2,302	624,212	(553,005)
Total												
(Memorandum Only)	\$ 198,879	\$ 96,833	\$ 295,712	\$ 719,294	\$ 622,461	\$ 2,000	\$ 291,712	\$ 293,712	\$ 665,619	\$ 3,694	\$ 669,313	\$ (375,601)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Orient (“the Village”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: water, sewer, street construction, maintenance, and repair, as well as other general government services. The Village contracts with the Pickaway County Sheriff’s Office for security services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village’s accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included 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 are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Village had the following special revenue fund:

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

Enterprise Fund

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following enterprise funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted, except Agency funds. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted several supplemental appropriations during 2005 and 2004.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. The Village had outstanding encumbrances at December 31, 2005 and 2004.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$2,375 and \$2,060 for the years ended December 31, 2005 and 2004, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - PRIOR PERIOD ADJUSTMENT

The Village is restating its cash and fund balance in the Enterprise sewer fund at January 1, 2004 due to the voiding of two checks that were issued in 2002. The prior period adjustment above had the following effect on the Village's cash and fund balance for the sewer fund at January 1, 2004:

	<u>Enterprise</u>
Balance 01/01/04	\$ 61,625
Prior Period Adjustment	<u>14,934</u>
Restated Balances 01/01/04	<u>\$ 76,559</u>

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 4 - COMPLIANCE

- A. In noncompliance with Ohio Revised Code Section 5705.41 (B), the following funds had expenditures in excess of appropriations for the year ended December 31, 2005 and 2004:

2005:

<u>Fund Type/Fund/Line Item</u>	<u>Excess</u>
<u>Proprietary Fund Type</u>	
Water:	
Capital Outlay	\$ 128,655
Sewer:	
Capital Outlay	84,605

2004:

<u>Proprietary Fund Type</u>	
Water:	
Other Contractual Services	40,193
Capital Outlay	543,332

- B. The Village did not properly encumber all commitments required by Ohio law contrary to Section 5705.41 (D), Ohio Revised Code for 2005 and 2004.
- C. In noncompliance with Ohio Revised Code Section 5705.39, the following fund had appropriations in excess of estimated resources for the year ended December 31, 2005:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Proprietary Fund Type</u>	
Water	\$ 34,888

- D. The Village had a negative cash balance in the Proprietary water fund of \$1,029 for the year ended December 31, 2005 in noncompliance with Ohio Revised Code Section 5705.10.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 5 - EQUITY IN POOLED CASH & CASH EQUIVALENTS

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

	<u>2005</u>	<u>2004</u>
Deposits	\$ 238,255	\$ 249,092
Certificates of deposit	<u>19,918</u>	<u>19,817</u>
Total cash and cash equivalents	<u>\$ 258,173</u>	<u>\$ 268,909</u>

Deposits: Deposits are either (1) insured by Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

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

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

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2005 and 2004, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/05</u>	<u>Balance at 12/31/04</u>
2004 Ohio Public Works Commission (OPWC) note for modifications to the Village water distribution system, due in semi-annual installments of \$5,314 through 2025 at 0% interest.	\$ 207,246	\$ 127,955
2004 bank note for the construction of the Village water system, due in monthly installments of \$745 through 2024 at 5.05% interest.	<u>109,099</u>	<u>50,000</u>
Total debt obligations	<u>\$ 316,345</u>	<u>\$ 177,955</u>

Transactions for the years ended December 31, 2005 and 2004, are summarized as follows:

	<u>Balance at 01/01/05</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/05</u>
<u>2005</u>				
OPWC (2004 Construction)	\$ 127,955	\$ 84,605	\$ (5,314)	\$ 207,246
Bank note (2004 Construction)	<u>50,000</u>	<u>62,440</u>	<u>(3,341)</u>	<u>109,099</u>
Total	<u>\$ 177,955</u>	<u>\$ 147,045</u>	<u>\$ (8,655)</u>	<u>\$ 316,345</u>
	<u>Balance at 01/01/04</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/04</u>
<u>2004</u>				
OPWC (2004 Construction)	\$ -	\$ 127,955	\$ -	\$ 127,955
Bank note (2004 Construction)	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total	<u>\$ -</u>	<u>\$ 177,955</u>	<u>\$ -</u>	<u>\$ 177,955</u>

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 7 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligation outstanding at December 31, 2005 are as follows:

Year Ending December 31,	OPWC	Bank Note		Total	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 5,314	\$ 3,512	\$ 5,428	\$ 8,826	\$ 5,428
2007	10,628	3,694	5,246	14,322	5,246
2008	10,628	3,885	5,055	14,513	5,055
2009	10,628	4,086	4,854	14,714	4,854
2010	10,628	4,297	4,643	14,925	4,643
2011 - 2015	53,140	25,057	19,643	78,197	19,643
2016 - 2020	53,140	32,239	12,461	85,379	12,461
2021 - 2025	53,140	32,329	3,431	85,469	3,431
Total	<u>\$ 207,246</u>	<u>\$ 109,099</u>	<u>\$ 60,761</u>	<u>\$ 316,345</u>	<u>\$ 60,761</u>

NOTE 8 - RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Employee dishonesty bond
- Comprehensive property and general liability
- Errors and omissions

NOTE 9 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation.



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Members of Council and Mayor
Village of Orient
P.O. Box 63
Orient, OH 43146

We have audited the financial statements of the Village of Orient, Pickaway County (the “Village”), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 15, 2006, wherein we noted the Village of Orient followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As disclosed in Note 3 to the financial statements, the Village has presented a prior period adjustment to restate the enterprise sewer fund cash and fund balance at January 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2005-VOO-004 and 2005-VOO-005.

Members of Council and Mayor
Village of Orient, Pickaway County

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also 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 August 15, 2006.

Compliance and Other Matters

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 grant agreements, 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 four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* located in the Schedule of Findings as items 2005-VOO-001, 2005-VOO-002, 2005-VOO-003 and 2005-VOO-006. We also noted certain immaterial instances of noncompliance and other matters that we have reported to the management of the Village of Orient in a separate letter dated August 15, 2006.

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



Julian & Grube, Inc.
August 15, 2006

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2005-VOO-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village had expenditures in excess of appropriations for the year ended December 31, in the following funds:

2005:

<u>Fund Type/Fund/Line Item</u>	<u>Excess</u>
<u>Proprietary Fund Type</u>	
Water:	
Capital Outlay	\$ 128,655
Sewer:	
Capital Outlay	84,605

2004:

<u>Proprietary Fund Type</u>	
Water:	
Other Contractual Services	40,193
Capital Outlay	543,332

With expenditures exceeding appropriations, the Village is unlawfully expending monies that have not been appropriated.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client response: The Clerk/Treasurer is attempting to request additional appropriations prior to expenditures being made.

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
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Finding Number	2005-VOO-002
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that 78% and 92% of expenditures tested were not certified prior to the purchases being made for the years ended December 31, 2005 and 2004, respectively.

Without timely certification, the Village may expend more funds than available in the treasury and/or in the process of collection, or than funds appropriated.

We recommend that the Village establish a policy which includes required procedures regarding purchases and the use of purchase orders. This policy should include the responsibilities of each employee involved in the purchase and corrective actions which the Village will take for noncompliance with the policy. We also recommend that the Village refer to Auditor of State Bulletin 98-004 for using "Super" blanket certificates for recurring expenditures such as utilities.

Client response: The Clerk/Treasurer is attempting to create and utilize the purchase order system.

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2005-VOO-003

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

It was noted during the audit that total appropriations exceeded the total estimated resources in the following fund in 2005:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Enterprise Fund</u>	
Water	\$ 34,888

With appropriations exceeding estimated resources the Village is appropriating monies that have not been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Village comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Village should monitor its budgetary process on a regular basis.

Client response: The Clerk/Treasurer will monitor the budget to ensure appropriations do not exceed estimated resources and will amend the budget as necessary.

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

Finding Number	2005-VOO-004
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It was noted during the audit that for the year ended December 31, 2005 and 2004, the Village did not maintain proper support for checks written. We noted several instances where the Clerk/Treasurer processed and paid disbursements although there were no invoices, contracts, or other support attached to the voucher. Thus, a tracking system does not exist to ensure that the disbursement is allowable and that each invoice or contract is paid only one time. We used alternative auditing procedures to substantiate the instances we noted. We recommend that the Village establish and enforce a policy that requires all supporting documents to be submitted to the Clerk/Treasurer and Council (if necessary) before a check is prepared and issued to a vendor.

Client response: The Village Council will require all supporting documentation be submitted prior to payment. In addition, a proper filing system and retention of records system will be implemented.

Finding Number	2005-VOO-005
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It was noted during the audit for the years ended December 31, 2005 and 2004, the Village Council did not approve pay rates of Village employees. We used alternative auditing procedures to substantiate the instances we noted. We recommend that the Village Council approve all employee pay rate and raises by ordinance to monitor payroll transaction to prevent fraud.

Client response: The Village Council will annually approve via Council Resolution annual pay rates for all employees.

Finding Number	2005-VOO-006
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit that at December 31, 2005 the Village had a negative cash balance in the Enterprise water fund of \$1,029.

The Village has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

**VILLAGE OF ORIENT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2005-VOO-006 – (Continued)

We recommend that the Village properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the Village should advance or transfer funds from the General Fund with proper Council approval.

Client Response: The Clerk/Treasurer will transfer monies from the General fund if necessary to prevent negative fund balances.

**VILLAGE OF ORIENT
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2003-VOO-001	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	No	Not corrected; repeated as Finding 2005-V00-001.
2003-VOO-002	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Not corrected; repeated as Finding 2005-V00-002.
2003-VOO-003	It was noted during the audit that for the year ended December 31, 2002, the Village did not maintain proper support for checks written.	No	Not corrected; repeated as Finding 2005-V00-004.



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VILLAGE OF ORIENT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2006**