



**VILLAGE OF ORWELL
ASHTABULA COUNTY**

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2010 & 2009



Dave Yost • Auditor of State

Village Council
Village of Orwell
179 West Main Street
P.O. Box 56
Orwell, Ohio 44084

We have reviewed the *Independent Accountants' Report* of the Village of Orwell, Ashtabula County, prepared by Canter & Associates, for the audit period January 1, 2009 through December 31, 2010. 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 Accountants' 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 Accountants' 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 Orwell is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 4, 2011

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Village of Orwell
Ashtabula County

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Orwell
Ashtabula County
179 West Main Street
P.O. Box 56
Orwell, Ohio 44084

To the Members of Council:

We have audited the accompanying financial statements of the Village of Orwell, Ashtabula County, (the Village) as of and for the years ended December 31, 2009 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 2, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Village to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2010, 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 fund cash balances and reserves for encumbrances of the Village of Orwell, Ashtabula County, as of December 31, 2009 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

The Village 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 our report dated August 15, 2011 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



CANTER & ASSOCIATES

August 15, 2011

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$250,197	\$69,717	\$0	\$0	\$319,914
Municipal Income Tax	632,071	16,876	0	0	648,947
Intergovernmental Receipts	143,979	102,747	0	0	246,726
Charges for Services	0	51,572	0	0	51,572
Fines, Licenses, and Permits	3,132	570	0	0	3,702
Earnings on Investments	256	16	0	0	272
Miscellaneous	487	150	0	0	637
Total Cash Receipts	<u>1,030,122</u>	<u>241,648</u>	<u>0</u>	<u>0</u>	<u>1,271,770</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	256,602	210,259	0	0	466,861
Public Health Services	13,926	0	0	0	13,926
Leisure Time Activities	2,719	0	0	0	2,719
Community Environment	3,421	0	0	0	3,421
Transportation	5,961	16,722	0	0	22,683
General Government	589,027	0	0	0	589,027
Debt Service:					
Principal Payments	10,797	50,491	0	0	61,288
Interest Payments	386	11,865	0	0	12,251
Capital Outlay	0	0	0	7,822	7,822
Total Cash Disbursements	<u>882,839</u>	<u>289,337</u>	<u>0</u>	<u>7,822</u>	<u>1,179,998</u>
Total Receipts Over/(Under) Disbursements	<u>147,283</u>	<u>(47,689)</u>	<u>0</u>	<u>(7,822)</u>	<u>91,772</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	33,268	30,000	0	63,268
Transfers-Out	(33,268)	0	0	0	(33,268)
Total Other Financing Receipts/(Disbursements)	<u>(33,268)</u>	<u>33,268</u>	<u>30,000</u>	<u>0</u>	<u>30,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>114,015</u>	<u>(14,421)</u>	<u>30,000</u>	<u>(7,822)</u>	<u>121,772</u>
Fund Cash Balances, January 1	<u>415,042</u>	<u>256,731</u>	<u>142,190</u>	<u>37,875</u>	<u>851,838</u>
Fund Cash Balances, December 31	<u>\$529,057</u>	<u>\$242,310</u>	<u>\$172,190</u>	<u>\$30,053</u>	<u>\$973,610</u>
Reserved for Encumbrances, December 31	<u>\$1,133</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,133</u>

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$748,887	\$0	\$748,887
Operating Cash Disbursements:			
Personal Services	267,104	0	267,104
Contractual Services	135,011	53,253	188,264
Supplies and Materials	46,816	0	46,816
Total Operating Cash Disbursements	448,931	53,253	502,184
Operating Income/(Loss)	299,956	(53,253)	246,703
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	0	53,253	53,253
Total Non-Operating Cash Receipts	0	53,253	53,253
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	86,694	0	86,694
Interest	102,575	0	102,575
Total Non-Operating Cash Disbursements	189,269	0	189,269
Excess of Receipts Over/(Under) Disbursements and Before Interfund Transfers	110,687	0	110,687
Transfers-In	78,060	0	78,060
Transfers-Out	(108,060)	0	(108,060)
Net Receipts Over/(Under) Disbursements	80,687	0	80,687
Fund Cash Balances, January 1	607,577	0	607,577
Fund Cash Balances, December 31	\$688,264	\$0	\$688,264
Reserved for Encumbrances, December 31	\$5,215	\$0	\$5,215

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$51,907	\$66,987	\$0	\$0	\$118,894
Municipal Income Tax	624,968	0	0	0	624,968
Intergovernmental Receipts	91,069	107,289	0	0	198,358
Charges for Services	0	51,674	0	0	51,674
Fines, Licenses, and Permits	1,907	435	0	0	2,342
Nopec Grant	0	0	0	49,898	49,898
Earnings on Investments	0	0	0	0	0
Miscellaneous	376	0	0	0	376
	<u>770,227</u>	<u>226,385</u>	<u>0</u>	<u>49,898</u>	<u>1,046,510</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	377,361	207,384	0	0	584,745
Public Health Services	12,503	0	0	0	12,503
Leisure Time Activities	3,435	0	0	0	3,435
Community Environment	3,254	0	0	0	3,254
Miscellaneous	0	0	0	83	83
Nopec Grant	0	0	0	49,898	49,898
Transportation	267	9,361	0	0	9,628
General Government	372,053	0	0	0	372,053
Debt Service:					
Principal Payments	6,403	25,795	0	0	32,198
Interest Payments	338	9,936	0	0	10,274
	<u>775,614</u>	<u>252,476</u>	<u>0</u>	<u>49,981</u>	<u>1,078,071</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>(5,387)</u>	<u>(26,091)</u>	<u>0</u>	<u>(83)</u>	<u>(31,561)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	22,000	5,000	0	27,000
Transfers-Out	(27,000)	0	0	0	(27,000)
Advances-Out	(22,970)	0	0	0	(22,970)
	<u>(49,970)</u>	<u>22,000</u>	<u>5,000</u>	<u>0</u>	<u>(22,970)</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(55,357)	(4,091)	5,000	(83)	(54,531)
Fund Cash Balances, January 1	<u>529,057</u>	<u>242,310</u>	<u>172,190</u>	<u>30,053</u>	<u>973,610</u>
Fund Cash Balances, December 31	<u>\$473,700</u>	<u>\$238,219</u>	<u>\$177,190</u>	<u>\$29,970</u>	<u>\$919,079</u>
Reserved for Encumbrances, December 31	<u>\$1,308</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,308</u>

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$747,231	\$0	\$747,231
Operating Cash Disbursements:			
Personal Services	269,528	0	269,528
Contractual Services	153,154	69,421	222,575
Supplies and Materials	49,925	525	50,450
Total Operating Cash Disbursements	472,607	69,946	542,553
Operating Income/(Loss)	274,624	(69,946)	204,678
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	0	69,421	69,421
Total Non-Operating Cash Receipts	0	69,421	69,421
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	92,410	0	92,410
Interest	97,189	0	97,189
Total Non-Operating Cash Disbursements	189,599	0	189,599
Excess of Receipts Over/(Under) Disbursements and Before Interfund Transfers	85,025	(525)	84,500
Transfers-In	78,060	5,000	83,060
Tranfers-Out	(83,060)	0	(83,060)
Advances-In	22,970	0	22,970
Net Receipts Over/(Under) Disbursements	102,995	4,475	107,470
Fund Cash Balances, January 1	688,264	0	688,264
Fund Cash Balances, December 31	\$791,259	\$4,475	\$795,734
Reserved for Encumbrances, December 31	\$6,200	\$900	\$7,100

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

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 1 – DESCRIPTION OF THE ENTITY

The Village of Orwell, Ashtabula County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution, the laws of the State of Ohio, and the Charter of the Village enacted in January 2005. The Village is directed by a publicly-elected seven member Council. The Village, by vote of its residents, has amended the current Charter which takes effect in 2011, whereas a 5 member elected council and Village Manager will direct the Village. The Village provides water and sewer utilities, park operations and police. The Village appropriates general fund money to support a volunteer fire department.

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

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

A. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis of accounting 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 adequately disclose material matters the Auditor of State prescribes.

B. Cash and Investments

Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

Repurchase agreements are valued at cost.

C. 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:

General Fund

The General Fund is the general operating fund and is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

Special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified 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.

Street Levy Fund – This fund receives real estate tax monies to maintain the street lights within the Village limits.

Fire Levy Fund – This fund receives real estate tax monies to help maintain the fire department.

Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. According to the government accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For the purpose of this report, these funds have been classified into the proper groups if practical. The Village had the following significant debt service fund:

Sewer Bonded Debt Fund – This fund receives assessments of citizens of the Village. Proceeds are used for sewer plant improvements.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The Village had the following significant capital projects funds:

Issue II Fund – This fund accounts for grant and loan monies received from the Ohio Public Works Commission plus matching funds from the Village. Expenditures are restricted to specific projects within the Village.

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Village had the following significant 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.

Agency Fund

Agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Village had the following significant agency fund:

Income Tax Fund – This fund accounts for receipts and disbursements related to the Village's local income tax.

D. 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.

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources.

All funds, other than agency funds, are legally required to be budgeted and appropriated.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Village filed tax budgets with the Ashtabula County Auditor in 2010 and 2009.

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, this certificate is amended to include any unencumbered balances from 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 County Budget Commission find 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 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. Budgeted receipts as shown in Note 4 do not include January 1, 2010 or January 1, 2009 unencumbered fund balances; however, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 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 appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each 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 year and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 4.

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 by the Village.

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting described in Note 2.

H. Total Columns on Financial Statements

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

	2010	2009
Demand Deposits	\$1,690,159	\$1,221,432
Investments - Repurchase Agreements	24,654	440,442
Total Deposits and Investments	<u>\$1,714,813</u>	<u>\$1,661,874</u>

Deposits – Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments - The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

VILLAGE OF ORWELL
 Ashtabula County
 Notes to the Financial Statements
 December 31, 2010 and December 31, 2009

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and December 31, 2009 follows:

2010 Budgeted vs. Actual Receipts				2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Receipts	Actual Receipts	Variance	Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$900,000	\$770,227	(\$129,773)	General	\$1,427,924	\$803,922	\$624,002
Special Revenue	232,200	248,385	16,185	Special Revenue	451,110	252,476	198,634
Debt Service	5,000	5,000	0	Debt Service	16,683	0	16,683
Capital Projects	49,898	49,898	0	Capital Projects	79,951	49,981	29,970
Enterprise	729,260	825,291	96,031	Enterprise	1,511,125	751,466	759,659
Total	\$1,916,358	\$1,898,801	(\$17,557)	Total	\$3,486,793	\$1,857,845	\$1,628,948

2009 Budgeted vs. Actual Receipts				2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Receipts	Actual Receipts	Variance	Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$900,000	\$1,030,122	\$130,122	General	\$942,870	\$917,240	\$25,630
Special Revenue	243,104	274,916	31,812	Special Revenue	465,863	289,337	176,526
Debt Service	30,000	30,000	0	Debt Service	16,683	0	16,683
Capital Projects	0	0	0	Capital Projects	37,875	7,822	30,053
Enterprise	779,060	826,947	47,887	Enterprise	1,496,084	751,475	744,609
Total	\$1,952,164	\$2,161,985	\$209,821	Total	\$2,959,375	\$1,965,874	\$993,501

NOTE 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 payments, the first half is due December 31. The second half payment is due on the following June 20.

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

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

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

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 6 - LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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 the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. In 2011, the Village will assume the collection of income taxes themselves.

NOTE 7 - RISK MANAGEMENT

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does participate in this coverage.

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 7 - RISK MANAGEMENT (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 ;

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 8 - DEBT

Debt outstanding at December 31, 2010 and December 31, 2009 was as follows:

Issue	Interest Rate	Principal Outstanding December 31, 2010	Principal Outstanding December 31, 2009
General Obligation Bonds:			
2004 Ohio WWTP Improvement G.O. Bonds	1.90%	1,646,700	1,667,200
Ohio Water Development Authority Loans:			
Sewer Plant Enlargement	7.54%	21,463	62,892
Iron Removal Project	6.32%	250,570	281,051
Industrial Park Infrastructure	3.00%	10,024	11,676
Ohio Public Works Commission Loans:			
East Main Street Water Main Replacement	0.00%	58,125	60,000
Phase II Water Main Replacement	0.00%	29,111	30,021
Breezewood/Various Road Improvements	0.00%	45,000	46,667
Capital Leases:			
Ohio Rail Development Commission	0.00%	1,286	1,585
2006 Fire Truck	4.89%	183,888	209,683
Total		\$2,246,167	\$2,370,775

The 2004 Ohio WWTP general obligation bonds were issued in 2004 to fund a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The general obligation bonds are collateralized by the Village sewer receipts and collections from user fees from the Kennametal Corporation. The Village has agreed to set utility rates sufficient to cover Ohio WWTP Debt requirements.

The Ohio Water Development Authority (OWDA) sewer enlargement plant loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved a loan in the amount of \$469,263 to the Village for this project. The loan will be repaid in semiannual installments including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has also entered into OWDA loans for an iron removal project and industrial park infrastructure improvements. These loans will be repaid in semiannual installments including interest, over 20 years. The Village's taxing authority collateralized the loan.

The Ohio Public Works Commission (OPWC) Phase I and Phase II East Main Street water main replacement loans were entered into in 2006 and will be repaid in semiannual installments, interest free, over twenty years. The Breezewood loan was entered into during 2008 and will also be repaid in semiannual installments, interest free, over 20 years, collateralized by the taxing authority of Village.

VILLAGE OF ORWELL
Ashtabula County
Notes to the Financial Statements
December 31, 2010 and December 31, 2009

NOTE 8 – DEBT (Continued)

The Village has entered into capital lease agreements to purchase fire trucks, and also to access railroad pipe line crossings with the Ohio Rail Development Commission. These leases are backed by the Village's taxing authority.

Remaining principal and interest payments of all outstanding obligations at December 31, 2010 are:

	December 31, 2010							
	General Obligation Bonds		OWDA Loans		OPWC Loans	Capital Leases		Totals
	Principal	Interest	Principal	Interest	Principal	Principal	Interest	
2011	21,400	74,102	55,573	17,747	11,688	27,378	8,660	216,548
2012	22,300	73,139	36,208	14,025	8,903	28,728	7,321	190,624
2013	23,300	72,135	38,441	11,794	8,903	30,142	5,916	190,631
2014	24,400	71,087	40,811	9,424	8,903	31,626	4,440	190,691
2015	25,500	69,988	43,328	6,906	8,904	32,838	2,893	190,357
2016-2020	145,700	331,678	67,696	5,666	44,517	34,462	1,268	630,987
2021-2025	181,500	294,307	0	0	39,517	0	0	515,324
2026-2030	226,500	251,090	0	0	901	0	0	478,491
2031-2035	282,000	195,346	0	0	0	0	0	477,346
2036-2040	351,400	125,942	0	0	0	0	0	477,342
2041-2044	342,700	39,403	0	0	0	0	0	382,103
Total	\$1,646,700	\$1,598,217	\$282,057	\$65,562	\$132,236	\$185,174	\$30,498	\$3,940,444

NOTE 9 - RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS 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. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10.0 percent of their gross wages in 2010 and 2009, respectively. The Village contributed an amount equal to 14.0 percent of the participant's gross salaries in 2010 and 2009, respectively. The Village has paid all required contributions through December 31, 2010.

The Village's Volunteer Fire Department personnel contribute to the Social Security System. The Village's liability is 6.2 percent of wages.



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CERTIFIED PUBLIC ACCOUNTANTS

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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**

Village of Orwell
Ashtabula County
179 West Main Street
P.O. Box 56
Orwell, Ohio 44084

We have audited the financial statements of the Village of Orwell (the Village) as of and for the years ended December 31, 2009 and December 31, 2010 and have issued our report thereon dated August 15, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Village in a separate letter dated August 15, 2011.

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

Canter & Associates

A handwritten signature in blue ink that reads "Canter & Assoc" with a stylized flourish at the end.

Poland, Ohio

August 15, 2011

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Ohio Revised Code Section 5705.41(B)	Yes	
2007-002	Ohio Revised Code Section 5705.10	Yes	No Longer Valid Transferring Money From Water and Sewer to reduce deficit in Wellfield Fund
2007-003	Significant Deficiency	Yes	
2008-001	Ohio Revised Code Section 5705.41	Yes	
2008-002	Ohio Revised Code Section 5705.10	Yes	No Longer Valid Transferring Money From Water and Sewer to reduce deficit in Wellfield Fund

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Dave Yost • Auditor of State

VILLAGE OF ORWELL

ASHTABULA 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 17, 2011