

VILLAGE OF ORWELL

ASHTABULA COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2020 and 2019



OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

Village Council
Village of Orwell
179 West Main Street
PO Box 56
Orwell, OH 44076

We have reviewed the *Independent Auditor's Report* of the Village of Orwell, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. 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.

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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2021

This page intentionally left blank.

VILLAGE OF ORWELL
ASHTABULA COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2020 and 2019

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2020	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2020	5
Notes to the Financial Statements	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019	16
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2019	17
Notes to the Financial Statements	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Schedule of Findings	29
Schedule of Prior Audit Findings (Prepared by Management)	32
Corrective Action Plan (Prepared by Management)	33

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Village of Orwell
Ashtabula County
179 West Main St
PO Box 56
Orwell, OH 44076

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2020 and 2019, and related notes of the Village of Orwell, Ashtabula County, Ohio (the Village).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2020 and 2019, and the respective changes in financial position or its cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2020 and 2019, and related notes of the Village of Orwell, Ashtabula County in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

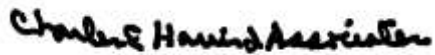
Emphasis of Matters

As discussed in Note 13 to the 2020 financial statements and Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

As discussed in Note 12 to the 2020 financial statements, the Village made several changes to its reporting model. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 28, 2021

Village of Orwell
Ashtabula County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 55,294	\$ 89,393	\$ -	\$ -	\$ 144,687
Municipal Income Tax	1,526,383	-	-	-	1,526,383
Intergovernmental	18,596	218,588	-	140,562	377,746
Charges for Services	330,000	53,428	-	-	383,428
Fines, Licenses and Permits	5,979	-	-	-	5,979
Earnings on Investments	20,263	-	-	-	20,263
Miscellaneous	38,742	10,465	-	-	49,207
<i>Total Cash Receipts</i>	<u>1,995,257</u>	<u>371,874</u>	<u>-</u>	<u>140,562</u>	<u>2,507,693</u>
Cash Disbursements					
Current:					
Security of Persons and Property	500,890	107,436	-	-	608,326
Public Health Services	12,452	-	-	-	12,452
Leisure Time Activities	1,269	-	-	-	1,269
Transportation	-	96,515	-	-	96,515
General Government	401,607	-	-	-	401,607
Capital Outlay	3,363	62,993	-	140,562	206,918
Debt Service:					
Principal Retirement	28,022	9,316	-	-	37,338
Interest and Fiscal Charges	3,209	1,840	-	-	5,049
<i>Total Cash Disbursements</i>	<u>950,812</u>	<u>278,100</u>	<u>-</u>	<u>140,562</u>	<u>1,369,474</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,044,445	93,774	-	-	1,138,219
Other Financing Receipts (Disbursements)					
Transfers In	-	-	20,000	277,000	297,000
Transfers Out	(277,000)	-	-	-	(277,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(277,000)</u>	<u>-</u>	<u>20,000</u>	<u>277,000</u>	<u>20,000</u>
<i>Net Change in Fund Cash Balances</i>	767,445	93,774	20,000	277,000	1,158,219
<i>Fund Cash Balances, January 1</i>	<u>589,455</u>	<u>335,564</u>	<u>36,683</u>	<u>488,198</u>	<u>1,449,900</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,356,900</u>	<u>\$ 429,338</u>	<u>\$ 56,683</u>	<u>\$ 765,198</u>	<u>\$ 2,608,119</u>

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

Village of Orwell
Ashtabula County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2020

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 749,377
Fines, Licenses and Permits	2,000
Miscellaneous	37,901
<i>Total Operating Cash Receipts</i>	789,278
Operating Cash Disbursements	
Personal Services	244,083
Contractual Services	128,617
Supplies and Materials	28,053
<i>Total Operating Cash Disbursements</i>	400,753
<i>Operating Income (Loss)</i>	388,525
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	4,180
Capital Outlay	(181,741)
Redemption of Principal	(38,965)
Interest and Other Fiscal Charges	(63,716)
Proceeds of Loans	42,641
Other Financing Uses	(4,002)
<i>Total Non-Operating Receipts (Disbursements)</i>	(241,603)
<i>Income (Loss) before Transfers</i>	146,922
Transfers In	30,000
Transfers Out	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(20,000)
<i>Net Change in Fund Cash Balances</i>	126,922
<i>Fund Cash Balances, January 1</i>	2,297,810
<i>Fund Cash Balances, December 31</i>	\$ 2,424,732

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

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Orwell, Ashtabula County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs 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 participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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

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.

Fire Truck Fund This fund receipts transfers from the general fund for the purchase of a fire truck.

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

Water Fund The water fund receives charges for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund receives charges for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Improvement Fund The water improvement fund receives charges for restricted to the utility plant expansion.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,786,000	\$ 1,995,257	\$209,257
Special Revenue	381,604	371,874	(9,730)
Debt Service	-	20,000	20,000
Capital Projects	510,861	417,562	(93,299)
Enterprise	1,059,700	823,458	(236,242)

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,768,037	\$ 1,227,812	\$ 540,225
Special Revenue	362,733	278,100	84,633
Debt Service	-	-	-
Capital Projects	151,841	140,562	11,279
Enterprise	1,004,359	696,536	307,823

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has segregated account which includes a clearing account that is not part of this pool.

A summary of the Village’s deposit and investment accounts are as follows:

	<u>2020</u>
<i>Cash Management Pool:</i>	
Demand Deposits	\$ 5,032,851
<i>Segregated Accounts - Not held in Pool:</i>	
Payroll Clearing Account	<u>12,321</u>
Total Deposits and Investments	<u><u>\$ 5,041,119</u></u>

The Village has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll. The balance in the Village’s payroll clearing account represents unremitted employee payroll withholdings and liabilities.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Taxes (continued)

Income Taxes

The Village levies a municipal income tax of 1.5% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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 coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs 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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019 (latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	(11,329,011)
Members' Equity	\$ 4,591,493

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

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

Five of the Village's certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2020.

Social Security

Eight Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CG02L - Breezewood Lane, Mist Avenue	\$ 13,334	0.00%
OPWC Loan CG48O - Water Meter Upgrades	57,429	0.00%
OPWC Loan CG40O - Leffingwell Allotment Road Improvements	72,000	0.00%
OPWC Loan CG37T - Parks and Central Street Repairs	49,986	0.00%
OPWC Loan CG16U - WWTP Headworks Improvements	42,641	0.00%
OPWC Loan CG16S - Penniman Road Repair	32,477	0.00%
OPWC Loan CG16G - East Main Street Watermain Replacement	20,625	0.00%
OPWC Loan CG06Q - Water Facility Rehabilitation	72,000	0.00%
OPWC Loan CG15H - Water Main Replacement Phase II	11,825	0.00%
USDA Series 2004 A - Wastewater Treatment Plant Mortgage Revenue Bond	581,900	4.50%
USDA Series 2004 B - Wastewater Treatment Plant Mortgage Revenue Bond	802,200	4.50%
Erie Bank Loan - 2015 Chevy Malibu	4,289	3.32%
Erie Bank Loan - 2018 Ford Utility Police Interceptors	44,479	4.75%
Erie Bank Loan - 2016 International 4300 Dump Truck	40,684	4.37%
Erie Bank Loan - Computer Equipment	16,486	4.30%
Total	<u>\$1,862,355</u>	

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 Public Works Commission (OPWC) Phase II and 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 WWTP Headworks Improvements loans were entered into in 2020 and will be repaid in semiannual installments, interest free, over 20 years. The Water Facility Rehabilitation loans were entered into in 2015 and will be repaid in semiannual installments, interest free, over 20 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. The Leffingwell Allotment loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Water Meter Upgrades loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Penniman Road Repair was entered into in 2017 and will be repaid in semiannual installments, interest free, over twenty years. The Park and Central Street Repairs loan was entered into in 2018 and will be repaid in semiannual installments, interest free, over twenty years.

In 2017, the Village entered into a loan agreement with Erie Bank for a car to be used for Village business. The loan is scheduled to be paid quarterly and paid off in 2022.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt (continued)

In 2018, the Village entered into a loan agreement with Erie Bank to purchase police cars. These loans are backed by the Village's taxing authority. The loan is scheduled to be paid in quarterly installments and will be paid off in 2023.

In 2019, the Village entered into a loan with Erie Bank to finance technology upgrades. The loan is scheduled to be paid in quarterly installments and will be paid off in 2023.

In 2019, the Village entered into a loan with Erie Bank to finance a dump truck. The loan is scheduled to be paid in quarterly installments and will be paid off in 2024.

Amortization

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

Year Ending December 31:	OPWC Loans	USDA Bonds	Erie Bank Loans
2021	\$ 30,483	\$ 33,200	\$ 34,191
2022	30,483	156,281	35,819
2023	30,483	95,429	25,365
2024	30,483	95,500	11,157
2025	27,149	95,395	5,578
2026-2030	114,379	477,591	-
2031-2035	87,919	477,345	-
2036-2040	20,938	477,342	-
2041-2045	-	382,102	-
Total	<u>\$372,317</u>	<u>\$2,290,184</u>	<u>\$112,110</u>

Note 10 – Related Party Transactions

A Village Council member is part owner of a company from which the Village acquired (business cards & other printed material) during the year. The Village paid \$295 for this acquisition.

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpended corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end there were none of these outstanding.

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service and capital projects funds are either restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Village of Orwell
Ashtabula County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 57,130	\$ 90,388	\$ -	\$ -	\$ 147,518
Municipal Income Tax	1,370,067	-	-	-	1,370,067
Intergovernmental	27,330	105,785	-	10,430	143,545
Charges for Services	8,060	56,966	-	-	65,026
Fines, Licenses and Permits	7,402	-	-	-	7,402
Earnings on Investments	6,379	-	-	-	6,379
Miscellaneous	16,748	18,531	-	-	35,279
<i>Total Cash Receipts</i>	1,493,116	271,670	-	10,430	1,775,216
Cash Disbursements					
Current:					
Security of Persons and Property	390,579	119,670	-	-	510,249
Public Health Services	12,300	-	-	-	12,300
Leisure Time Activities	2,071	-	-	-	2,071
Transportation	-	86,472	-	-	86,472
General Government	426,969	-	-	-	426,969
Capital Outlay	1,594	90,586	-	39,730	131,910
Debt Service:					
Principal Retirement	31,547	-	-	-	31,547
Interest and Fiscal Charges	3,447	-	-	-	3,447
<i>Total Cash Disbursements</i>	868,507	296,728	-	39,730	1,204,965
<i>Excess of Receipts Over (Under) Disbursements</i>	624,609	(25,058)	-	(29,300)	570,251
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	-	-	-	7,000	7,000
Proceeds of Loans	20,000	50,000	-	-	70,000
Transfers In	-	60,000	15,000	263,500	338,500
Transfers Out	(323,500)	-	-	-	(323,500)
<i>Total Other Financing Receipts (Disbursements)</i>	(303,500)	110,000	15,000	270,500	92,000
<i>Net Change in Fund Cash Balances</i>	321,109	84,942	15,000	241,200	662,251
<i>Fund Cash Balances, January 1</i>	268,346	250,622	21,683	246,998	787,649
Fund Cash Balances, December 31					
Restricted	-	335,564	36,683	-	372,247
Committed	-	-	-	488,198	488,198
Unassigned	589,455	-	-	-	589,455
<i>Fund Cash Balances, December 31</i>	<u>\$ 589,455</u>	<u>\$ 335,564</u>	<u>\$ 36,683</u>	<u>\$ 488,198</u>	<u>\$ 1,449,900</u>

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

Village of Orwell
Ashtabula County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 820,296
Fines, Licenses and Permits	2,100
Miscellaneous	135,301
<i>Total Operating Cash Receipts</i>	957,697
Operating Cash Disbursements	
Personal Services	244,656
Contractual Services	134,131
Supplies and Materials	30,455
<i>Total Operating Cash Disbursements</i>	409,242
<i>Operating Income (Loss)</i>	548,455
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	2,730
Capital Outlay	(229,188)
Redemption of Principal	(44,730)
Interest and Other Fiscal Charges	(65,084)
Other Financing Uses	(2,856)
<i>Total Non-Operating Receipts (Disbursements)</i>	(339,128)
<i>Income (Loss) before Transfers</i>	209,327
Transfers In	30,000
Transfers Out	(45,000)
<i>Net Change in Fund Cash Balances</i>	194,327
<i>Fund Cash Balances, January 1</i>	2,103,483
<i>Fund Cash Balances, December 31</i>	\$ 2,297,810

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

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Orwell, Ashtabula County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs 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 participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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 account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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

Fire Truck Fund The fire truck fund accounts for and reports transfers from the general fund for purchase and maintenance of a fire truck.

Street Department Vehicle Fund This fund accounts for and reports transfers from the general fund for the purpose of maintaining street department vehicles.

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

Water Fund The water fund receives charges for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund receives charges for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Improvement Fund The water improvement fund receives charges for restricted to the utility plant expansion.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

Restricted Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the general fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budget vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,350,000	\$ 1,513,116	\$ 163,116
Special Revenue	325,500	381,670	56,170
Debt Service	15,000	15,000	-
Capital Projects	281,765	280,930	(835)
Enterprise	743,000	990,427	247,427

2019 Budgeted Vs Actual Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,345,900	\$ 1,192,007	\$ 153,893
Special Revenue	335,500	296,728	38,772
Debt Service	-	-	-
Capital Projects	46,030	39,730	-
Enterprise	1,126,433	796,100	330,333

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits

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

	<u>2019</u>
Demand Deposits	\$ 3,747,710

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1.5% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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 coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs 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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	\$ 4,591,493

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans (contuned)

Ohio Police and Fire Retirement System

Five Village’s certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages and 24 percent of full-time fire fighters’ wages. The Village has paid all contributions required through December 31, 2019.

Social Security

Eight Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CG02L - Breezewood Lane, Mist Avenue	\$ 15,001	0.00%
OPWC Loan CG48O - Water Meter Upgrades	59,410	0.00%
OPWC Loan CG40O - Leffingwell Allotment Road Improvements	75,000	0.00%
OPWC Loan CG37T - Parks and Central Street Repairs	51,374	0.00%
OPWC Loan CG16S - Penniman Road Repair	33,432	0.00%
OPWC Loan CG16G - East Main Street Watermain Replacement	22,500	0.00%
OPWC Loan CG06Q - Water Facility Rehabilitation	74,400	0.00%
OPWC Loan CG15H - Water Main Replacement Phase II	12,735	0.00%
USDA Series 2004 A - Wastewater Treatment Plant Mortgage Revenue Bond	595,300	4.50%
USDA Series 2004 B - Wastewater Treatment Plant Mortgage Revenue Bond	820,600	4.50%
Erie Bank Loan - 2015 Chevy Malibu	6,682	3.32%
Erie Bank Loan - 2018 Ford Utility Police Interceptors	59,583	4.75%
Erie Bank Loan - 2016 International 4300 Dump Truck	50,000	4.37%
Erie Bank Loan - Computer Equipment	20,000	4.30%
Total	<u>\$1,896,017</u>	

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 Public Works Commission (OPWC) Phase II and 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 Water Facility Rehabilitation loans were entered into in 2015 and will be repaid in semiannual installments, interest free, over 20 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. The Leffingwell Allotment loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Water Meter Upgrades loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Penniman Road Repair was entered into in 2017 and will be repaid in semiannual installments, interest free, over twenty years. The Park and Central Street Repairs loan was entered into in 2018 and will be repaid in semiannual installments, interest free, over twenty years.

In 2017, the Village entered into a loan agreement with Erie Bank for a car to be used for Village business. The loan is scheduled to be paid quarterly and paid off in 2022.

In 2018, the Village entered into a loan agreement with Erie Bank to purchase police cars. These loans are backed by the Village's taxing authority. The loan is scheduled to be paid in quarterly installments and will be paid off in 2023.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (continued)

In 2019, the Village entered into a loan with Erie Bank to finance technology upgrades. The loan is scheduled to be paid in quarterly installments and will be paid off in 2023.

In 2019, the Village entered into a loan with Erie Bank to finance a dump truck. The loan is scheduled to be paid in quarterly installments and will be paid off in 2024.

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

Year Ending December 31:	OPWC Loans	USDA Bonds	Erie Bank Loans
2020	\$ 14,175	\$ 95,516	\$ 29,732
2021	28,351	33,200	39,770
2022	28,351	156,281	35,819
2023	28,351	95,429	25,365
2024	28,351	95,500	11,157
2025-2029	109,288	477,543	5,578
2030-2034	85,240	477,391	-
2035-2039	21,745	477,271	-
2040-2044	-	477,571	-
Total	<u>\$343,852</u>	<u>\$2,385,700</u>	<u>\$147,421</u>

Note 10 - Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Orwell
Ashtabula County
179 West Main St
PO Box 56
Orwell, OH 44076

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2020 and 2019 and related notes of the Village of Orwell, Ashtabula County, Ohio (the Village) and have issued our report thereon dated June 28, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village and several changes to its reporting model.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

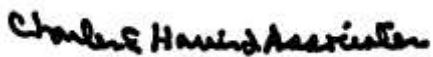
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 28, 2021.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Charles E. Harris and Associates, Inc.
June 28, 2021

**VILLAGE OF ORWELL
ASHTABULA COUNTY
Schedule of Findings
December 31, 2020 and 2019**

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
--

Finding Number 2020-001 – Material Weakness

Bank Reconciliation:

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council Members are responsible for reviewing the reconciliations and related support.

The December 31, 2020 and 2019 bank reconciliations indicated the Village’s cash fund balance exceeded its bank balances. These differences were due to the Village’s bank reconciliations not including one Village held bank account (Water Department) in 2020 and 2019.

Failure to accurately reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials’ Response: See corrective action plan.

**VILLAGE OF ORWELL
ASHTABULA COUNTY
Schedule of Findings
December 31, 2020 and 2019**

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS - continued
--

Finding Number 2020-002 – Material Weakness

Audit Adjustments/Reclassifications:

The Village erroneously recorded numerous transactions during 2020 and 2019. The more significant adjustments are as follow:

- In 2020 and 2019, the Village recorded \$139,100 and \$229,188 respectively, as redemption of principal in the enterprise fund when it should have been recorded as capital outlay.
- In 2020 and 2019, the Village recorded principal payments in the general fund totaling \$955 and \$1,910, respectively to capital outlay when it should have been recorded as principal retirement.
- In 2020, the Village recorded principal and interest payments in the general fund totaling \$4,107 as capital outlay, when \$3,154 should have been recorded as principal retirement, and \$593 should have been recorded as interest and fiscal charges.
- In 2020, the Village recorded principal and interest payments in the general fund totaling \$2,582 as general government, when \$2,394 should have been recorded as principal retirement, and \$188 should have been recorded as interest and fiscal charges.
- In 2020, the Village recorded principal and interest payments in the general fund totaling \$17,532 as security of persons and property, when \$15,104 should have been recorded as principal retirement, and \$2,428 should have been recorded as interest and fiscal charges.
- In 2019, the Village recorded principal and interest payments in the general fund totaling \$20,974 as security of persons and property, when \$17,527 should have been recorded as principal retirement, and \$3,447 should have been recorded as interest and fiscal charges.
- In 2020, the Village recorded \$26,789 as principal retirement in the enterprise fund when it should have been recorded as interest.
- In 2020 the Village recorded \$2,789 as transportation in the special revenue fund when it should have been recorded as principal and interest.
- In 2019, the Village did not record the proceeds of loans and the capital outlay disbursements \$50,000 in the special revenue fund.
- In 2020, the Village did not record the proceeds of loans and the capital outlay disbursements totaling \$42,641 in the enterprise fund.
- In 2019, the Village recorded a \$20,000 loan disbursement as fines, licenses, and permits in the general fund, when it should have been recorded as proceeds of loans.
- In 2020 and 2019, the Village mapped the Issue II fund to the special revenue fund when it should have been mapped to the capital project fund. This issue created receipts and expenditures to be overstated in the special revenue fund and understated in the capital project fund by \$140,562 in 2020 and \$10,430 in 2019.
- In 2019, the Village recorded \$955 as capital outlay in the general fund and it should have been recorded as principal retirement.

**VILLAGE OF ORWELL
ASHTABULA COUNTY
Schedule of Findings - continued
December 31, 2020 and 2019**

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS - continued
--

Finding Number 2020-002 – Material Weakness (continued)

The accompanying financial statements and the Village’s records have been adjusted to properly reflect these transactions.

Failure to report transactions correctly results in the financial statements not being accurately presented. We recommend that the Fiscal Officer follow the Village Officer’s Handbook and other Auditor of State guidance to properly classify its transactions. In addition, we recommend the Fiscal Officer review all financial reports compiled to ensure their accuracy, including the budgetary information.

Officials’ Response: See Corrective Action Plan.

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
December 31, 2020 and 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness- Bank Reconciliations	Not Corrected	See Corrective Action Plan

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**CORRECTIVE ACTION PLAN – Prepared by Management
For the Years Ended December 31, 2020 and 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	Management plans to look into the bank reconciliation issue and the mis-postings of transactions.	Immediately	Ella Stanton, Fiscal Officer
2020-002	Management will work to properly record these transactions in the future.	Immediately	Ella Stanton, Fiscal Officer

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ORWELL

ASHTABULA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/9/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov