



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF GRAFTON
LORAIN COUNTY
DECEMBER 31, 2022 AND 2021**

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VILLAGE OF GRAFTON
CUYAHOGA COUNTY
DECEMBER 31, 2022 AND 2021

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Grafton
Lorain County
960 Main Street
Grafton, Ohio 44044

To the Village Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grafton, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2022 and 2021, and the respective changes in cash-basis financial position thereof and the budgetary comparison for the General Fund for the years then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2024

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Village of Grafton
Lorain County
Statement of Net Position - Cash Basis
December 31, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 3,654,116	\$ 5,802,475	\$ 9,456,591
Total assets	<u>3,654,116</u>	<u>5,802,475</u>	<u>9,456,591</u>
Net Position			
Restricted for:			
Capital projects	1,318,594	-	1,318,594
Other purposes	750,790	-	750,790
Unrestricted	<u>1,584,732</u>	<u>5,802,475</u>	<u>7,387,207</u>
Total net position	<u>\$ 3,654,116</u>	<u>\$ 5,802,475</u>	<u>\$ 9,456,591</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2022

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
General government	\$ 819,619	\$ 28,890	\$ 8,181	\$ -	\$ (782,548)	\$ -	\$ (782,548)
Security of persons and property	886,427	74,087	-	-	(812,340)	-	(812,340)
Public health services	37,345	-	301,294	-	263,949	-	263,949
Leisure time activities	16,069	1,500	27,590	-	13,021	-	13,021
Community environment	33,981	-	-	-	(33,981)	-	(33,981)
Basic utility services	589,862	278,728	-	-	(311,134)	-	(311,134)
Transportation	313,934	5,256	286,315	-	(22,363)	-	(22,363)
Capital outlay	1,584,333	-	-	1,132,764	(451,569)	-	(451,569)
Debt service:							
Principal retirement	244,361	-	-	-	(244,361)	-	(244,361)
Interest and fiscal charges	23,517	-	-	-	(23,517)	-	(23,517)
Total governmental activities	4,549,448	388,461	623,380	1,132,764	(2,404,843)	-	(2,404,843)
Business Type Activities							
Water	736,576	990,811	-	-	-	254,235	254,235
Sewer	1,701,501	1,704,773	-	-	-	3,272	3,272
Electric	5,770,576	3,377,558	-	-	-	(2,393,018)	(2,393,018)
Other enterprise	29,607	9,200	-	-	-	(20,407)	(20,407)
Total business-type activities	8,238,260	6,082,342	-	-	-	(2,155,918)	(2,155,918)
Total government	\$ 12,787,708	\$ 6,470,803	\$ 623,380	\$ 1,132,764	(2,404,843)	(2,155,918)	(4,560,761)
General Receipts							
Municipal income taxes levied for:							
General purposes					1,240,961	-	1,240,961
Capital outlay					620,387	-	620,387
Property taxes levied for:							
General purposes					362,694	-	362,694
Security of persons and property					24,396	-	24,396
Grants and entitlements not restricted to specific programs							
Other debt proceeds					-	2,409,713	2,409,713
Earnings on investment					80,772	-	80,772
Miscellaneous					231,334	-	231,334
Total general receipts					2,669,186	2,409,713	5,078,899
Change in net position					264,343	253,795	518,138
Net position beginning of year					3,389,773	5,548,680	8,938,453
Net position end of year					\$ 3,654,116	\$ 5,802,475	\$ 9,456,591

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2022

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and cash equivalents	\$ 1,584,732	\$ 1,054,962	\$ 1,014,422	\$ 3,654,116
Total assets	<u>\$ 1,584,732</u>	<u>\$ 1,054,962</u>	<u>\$ 1,014,422</u>	<u>\$ 3,654,116</u>
Fund Balances				
Restricted	-	1,054,962	1,014,422	2,069,384
Assigned	121,703	-	-	121,703
Unassigned	<u>1,463,029</u>	<u>-</u>	<u>-</u>	<u>1,463,029</u>
Total fund balances	<u>\$ 1,584,732</u>	<u>\$ 1,054,962</u>	<u>\$ 1,014,422</u>	<u>\$ 3,654,116</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal income taxes	\$ 1,240,961	\$ 582,650	\$ 37,737	\$ 1,861,348
Property and other local taxes	362,694	-	24,396	387,090
Charges for services	315,137	-	-	315,137
Fines, licenses and permits	42,286	-	1,205	43,491
Intergovernmental	108,642	882,766	847,492	1,838,900
Special assessments	5,256	-	-	5,256
Earnings on Investment	80,772	-	-	80,772
Miscellaneous	248,967	-	32,830	281,797
Total receipts	2,404,715	1,465,416	943,660	4,813,791
Disbursements				
Current:				
General government	793,367	-	26,252	819,619
Security of persons and property	863,034	-	23,393	886,427
Public health services	37,345	-	-	37,345
Leisure time activities	16,069	-	-	16,069
Community environment	33,981	-	-	33,981
Basic utility services	232,289	334,014	23,559	589,862
Transportation	-	-	313,934	313,934
Capital outlay	-	1,300,698	283,635	1,584,333
Debt service:				
Principal retirement	100,000	144,361	-	244,361
Interest and fiscal charges	2,028	21,489	-	23,517
Total disbursements	2,078,113	1,800,562	670,773	4,549,448
Excess of receipts over (under) disbursements	326,602	(335,146)	272,887	264,343
Other financing sources (uses)				
Transfers in	110,766	-	-	110,766
Transfers out	(110,766)	-	-	(110,766)
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	326,602	(335,146)	272,887	264,343
Fund balances beginning of year	1,258,130	1,390,108	741,535	3,389,773
Fund balances end of year	<u>\$ 1,584,732</u>	<u>\$ 1,054,962</u>	<u>\$ 1,014,422</u>	<u>\$ 3,654,116</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal income taxes	\$ 1,084,645	\$ 1,393,331	\$ 1,240,961	\$ (152,370)
Property and other local taxes	307,757	367,969	362,694	(5,275)
Charges for services	275,441	353,831	315,137	(38,694)
Fines, licenses and permits	36,959	47,478	42,286	(5,192)
Intergovernmental	94,957	121,981	108,642	(13,339)
Special assessments	4,594	5,901	5,256	(645)
Earnings on Investment	70,598	90,689	80,772	(9,917)
Miscellaneous	217,606	279,536	248,967	(30,569)
Total receipts	<u>2,092,557</u>	<u>2,660,717</u>	<u>2,404,715</u>	<u>(256,002)</u>
Disbursements				
Current:				
General government	1,836,094	2,071,594	793,367	1,278,227
Security of persons and property	928,650	928,650	877,743	50,907
Public health services	41,000	41,000	37,345	3,655
Leisure time activities	84,000	84,000	16,069	67,931
Community environment	75,000	75,000	78,981	(3,981)
Basic utility services	263,000	263,000	294,283	(31,283)
Transportation	51,000	51,000	-	51,000
Debt service:				
Principal retirement	-	-	100,000	(100,000)
Interest and fiscal charges	-	-	2,028	(2,028)
Total disbursements	<u>3,278,744</u>	<u>3,514,244</u>	<u>2,199,816</u>	<u>1,314,428</u>
Excess of receipts over (under) disbursements	<u>(1,186,187)</u>	<u>(853,527)</u>	<u>204,899</u>	<u>1,058,426</u>
Other financing sources (uses)				
Transfers in	96,814	124,366	110,766	(13,600)
Transfers out	(115,000)	(115,000)	(110,766)	4,234
Total other financing sources (uses)	<u>(18,186)</u>	<u>9,366</u>	<u>-</u>	<u>(9,366)</u>
Net change in fund balance	(1,204,373)	(844,161)	204,899	1,049,060
Fund balance at beginning of year	1,144,161	1,144,161	1,144,161	-
Prior year encumbrances appropriated	113,969	113,969	113,969	-
Fund balance at end of year	<u>\$ 53,757</u>	<u>\$ 413,969</u>	<u>\$ 1,463,029</u>	<u>\$ 1,049,060</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in pooled cash and cash equivalents	\$ 1,419,674	\$ 2,913,845	\$ 1,414,664	\$ 54,292	\$ 5,802,475
Net position					
Unrestricted	1,419,674	2,913,845	1,414,664	54,292	5,802,475
Total net position	<u>\$ 1,419,674</u>	<u>\$ 2,913,845</u>	<u>\$ 1,414,664</u>	<u>\$ 54,292</u>	<u>\$ 5,802,475</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2022

	Water	Sewer	Electric	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts					
Charges for services	\$ 982,720	\$ 1,703,422	\$ 3,177,784	\$ 9,200	\$ 5,873,126
Other operating receipts	8,091	1,351	199,774	-	209,216
Total operating receipts	990,811	1,704,773	3,377,558	9,200	6,082,342
Operating Disbursements					
Personal services	71,037	255,582	273,010	-	599,629
Employee fringe benefits	21,935	145,174	101,242	-	268,351
Travel and transportation	7,688	8,806	15,455	-	31,949
Contractual services	480,185	134,907	2,424,630	8,800	3,048,522
Supplies and materials	35,883	332,422	263,459	-	631,764
Total operating disbursements	616,728	876,891	3,077,796	8,800	4,580,215
Operating income	374,083	827,882	299,762	400	1,502,127
Non-operating receipts (disbursements)					
Other debt proceeds	-	-	2,388,906	20,807	2,409,713
Capital outlay	(30,088)	(75,257)	(2,551,600)	(20,807)	(2,677,752)
Principal retirement	(80,025)	(568,040)	(128,106)	-	(776,171)
Interest and fiscal charges	(9,735)	(181,313)	(13,074)	-	(204,122)
Total non-operating receipts and disbursements	(119,848)	(824,610)	(303,874)	-	(1,248,332)
Transfers					
Transfers in	-	-	110,767	-	110,767
Transfers out	-	-	(110,767)	-	(110,767)
Total transfers	-	-	-	-	-
Change in net position	254,235	3,272	(4,112)	400	253,795
Net position beginning of year	1,165,439	2,910,573	1,418,776	53,892	5,548,680
Net position end of year	<u>\$ 1,419,674</u>	<u>\$ 2,913,845</u>	<u>\$ 1,414,664</u>	<u>\$ 54,292</u>	<u>\$ 5,802,475</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2022

	<u>Custodial</u>
Assets	
Equity in pooled cash and cash equivalents	<u>\$ 24,973</u>
Total assets	<u>24,973</u>
Net Position	
Restricted for:	
Deposits	<u>24,973</u>
Total net position	<u><u>\$ 24,973</u></u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2022

	Custodial
	Other Custodial
Additions	
Fines, Licenses and Permits for Distribution	\$ 29,666
<i>Total Additions</i>	29,666
Deductions	
Other Distributions	23,684
<i>Total Deductions</i>	23,684
<i>Change in Net Position</i>	5,982
<i>Net Position Beginning of Year</i>	18,991
<i>Net Position End of Year</i>	\$24,973

See accompanying notes to the financial statements

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Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Grafton, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include five council members, a clerk/treasurer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, utility (including water, sewer, and electricity) and general administrative services.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Grafton provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer, electric and refuse collection. Council has direct responsibility for these services.

Joint Ventures and Public Entity Risk Pools

The Village participates in joint ventures and a public entity risk pool. Notes 12 and 7 to the financial statements, respectively, provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the “Basis of Accounting” section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village’s accounting policies.

Basis of Presentation

The Village’s basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses fund accounting 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 in three categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General 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.

Capital Improvement Fund The capital improvements fund accounts for and reports that portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village’s major enterprise funds:

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

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

Electric Fund This fund is used to record user charges for the costs of providing electric service to Village residents and businesses.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village’s custodial funds account for amounts collected and distributed on behalf of the mayor’s court.

Basis of Accounting

The Village’s financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is Village Council’s authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The Village’s investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Village. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2022 were \$80,772 which included \$6,672 assigned from other Village funds.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease or financed purchase transaction is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure is reported at inception. Lease payments and financed purchase payments are reported when paid.

Leases

For 2022, GASB Statement No. 87, Leases was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

The Village is the lessee (as defined by GASB 87) in various leases related to vehicles under noncancelable leases. Lease receivables/payables are not reflected under the Village’s cash basis of accounting. Lease disbursements are recognized when they are paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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. Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by ordinance, or by State statute. State Statute authorizes the Village Clerk/Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Village Council can also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue 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 contained 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.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis). For 2022, the outstanding encumbrances at year end (budgetary basis) amounted to \$121,703 for the general fund.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories:

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Village may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits and Investments (continued)

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Village had \$400 in undeposited cash on hand, which is included on the Statement of Cash Basis Asset and Fund Balances of the Village as part of “Equity in Pooled Cash and Cash Equivalents” for 2022.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2022, none of the Village’s bank balance of \$5,148,993 (including CD’s) was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution’s for the Village or by OPCS.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in 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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, the Village had the following investments:

<u>Investment type</u>	<u>NAV</u>
STAR Ohio	\$4,332,172

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits and Investments (continued)

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes are levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rates for all Village operations for the year ended December 31, 2021 (latest information available), were \$4.76 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2022 property tax receipts were based are as follows:

	2021 <u>Assessed Year</u>
Real Property	
Residential and agricultural	\$ 64,993,600
Commercial, industrial, and minerals	
Other	16,496,450
Public utility	54,760
Tangible Personal Property	
Public Utility Personal	<u>959,730</u>
Total	<u>\$ 82,504,540</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Village of Grafton

Lorain County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

Note 6 – Income Taxes

The Village levies a 1.5% income tax on substantially all income earned in the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. The Village contracts with the Regional Income Tax Agency (RITA) for the collection of taxes, including delinquencies and monitoring of compliance with filing requirements. In 2022, the receipts were allocated to the general, capital improvement and capital improvement parks funds.

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2022:

	<u>2022</u>
Cash and investments	\$42,310,794
Actuarial liabilities	\$14,974,099

Note 8 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

**Village of Grafton
Lorain County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

Note 8 – Defined Benefit Pension Plans (continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member’s pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 8 – Defined Benefit Pension Plans (continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2022 Statutory Maximun Contribution Rates	
Employer	14.0 %
Employee*	10.0 %
2022 Actual Contribution Rates	
Employer	
Pension****	14.0 %
Post-employment Health Care Benefits****	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

**** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 8 – Defined Benefit Pension Plans (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$142,640 for the year 2022.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – Village full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit (see OP&F ACFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percentage increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 8 – Defined Benefit Pension Plans (continued)

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2022 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2022 Actual Contribution Rates		
Employer		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	19.50%	24.00%
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OP&F was \$54,235 for 2022.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 9 - Postemployment Benefits (continued)

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, State and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 9 - Postemployment Benefits (continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$0 for 2022.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 9 - Postemployment Benefits (continued)

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contractually required contribution to OP&F was \$1,154 for 2022.

Village of Grafton
Lorain County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Public Works Commission (OPWC) Loans:			
Willow Street Reconstruction - CT22D	0.00%	\$ 114,953	January 1, 2023
Center Street Revitalization - CT79H	0.00%	21,014	January 1, 2026
Cleveland Street Drainage System Improvement - CI31J	0.00%	100,787	January 1, 2029
SR 57/Commerce Drive Storm Drainage - CI44M	0.00%	170,000	January 1, 2030
Parsons Road Improvements - CI31L	0.00%	35,000	January 1, 2025
Mechanic Street Improvements - CI21R	0.00%	249,000	July 1, 2045
Mechanic Street Improvements Phase II - CI38S	0.00%	176,450	January 1, 2038
WWTP Improvements - CI41Q	0.00%	149,848	July 1, 2041
Elevated Water Storage Tank Replacement - CI55R	0.00%	545,834	January 1, 2049
Main Street Waterline Loop Replacement - CT27T	0.00%	113,505	January 1, 2049
Booster Pump Station - CI36T	0.00%	280,000	July 1, 2049
Oak Street Improvements - CI05U	0.00%	53,514	July 1, 2050
Chestnut Street Improvements - CI05V	0.00%	176,790	July 1, 2040
Chestnut Street Improvements Phase II - CI16W	0.00%	131,969	January 1, 2042
WWTP Improvements - CT30V	0.00%	200,000	July 1, 2040
Mechanic/Crook Streets Improvements Phase I - CT42X	0.00%	36,304	July 1, 2051
Elevated Tank/Waterline Loop Constuction - CT09W	0.00%	24,227	January 1, 2043
Main St./Route 57 Improvements - CI21X	0.00%	200,000	January 1, 2049
Parsons Road Improvements - CI45Z	0.00%	14,491	January 1, 2038
Ohio Water Development Authority (OWDA) Loans:			
WWTP Improvements - 3265	6.41%	3,081,451	January 1, 2026
Mechanic St Line Replacement - 6864	2.78%	342,788	July 1, 2025
Grafton WWTP Improvements - 6609	3.62%	3,134,068	January 1, 2040
Grafton Elm St Waterline Replacement - 6863	2.78%	236,003	January 1, 2026
Grafton Mechanic Street Sewer and Water Phase 2 - 7280	2.46%	410,338	January 1, 2027
Elevated Water Storage Tank Replacement - 7917	1.34%	1,144,705	January 1, 2039
Main Street Water Line Loop Replacement - 7918	1.34%	553,059	July 1, 2038
Booster Pump Station Replacement - 7919	1.34%	487,281	July 1, 2038
Asset Management Plan - 8204	0.00%	39,055	January 1, 2024
Water and Sewer Improvements on Oak Street - 8225	2.87%	374,696	July 1, 2029
Wastewater Treatment Plant Improvements - 8380	2.92%	507,794	January 1, 2021
Chestnut Street Improvement Phase I - 8408	2.87%	338,536	January 1, 2030
Chestnut Street Improvement Phase 2 - 8776	1.85%	318,296	January 1, 2031
Elevated Tank Rehabilitation - 8892	1.87%	251,067	January 1, 2031
Mechanic/Crook St. Improvements Phase I - 9172	1.28%	179,367	July 1, 2031
Mechanic/Crook St. Improvements Phase II - 10042	3.73%	1,418,313	July 1, 2043
Farmers Loan - 20059	Variable	250,000	March 5, 2029
Farmers Loan - 20060	Variable	650,000	March 5, 2029

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt (continued)

The Village’s long-term debt activity for the year ended December 31, 2022 was as follows:

	Interest Rates	Balance at 1/1/2022	Increase	Decrease	Balance at 12/31/22	Due in 1 Year
Governmental Activities:						
OPWC Loans	0%	\$ 1,045,006	\$ -	\$ (53,716)	\$ 991,290	\$ 57,988
OWDA Loans	1.34% - 6.41%	1,062,411	-	(60,686)	1,001,725	-
Financed Purchases	3%	426,979	-	(29,959)	397,020	30,722
Loans Payable	0%	151,433	-	(100,000)	51,433	51,434
Total Governmental Activities		\$2,685,829	\$ -	\$(244,361)	\$2,441,468	\$140,144
Business-Type Activities:						
OPWC Loans	0%	\$ 1,233,214	\$ -	\$ (48,549)	\$ 1,184,665	\$ 48,584
OWDA Loans	1.34% - 6.41%	5,858,055	20,807	(599,515)	5,279,347	584,723
AMP Ohio	2.75%	507,919	2,388,906	-	2,896,825	-
Financed Purchases	2.86%	117,345	-	(28,106)	89,239	28,911
Loans Payable	0%	359,007	-	(100,000)	259,007	70,425
Total Business-Type Activities		\$8,075,540	\$2,409,713	\$(776,170)	\$9,709,083	\$732,643

The Ohio Public Works Commission and Ohio Water Development Authority Loans were used for improvements to the Village’s water treatment and sewer treatment systems. The loans will be paid from user charges.

There were cost change adjustments for several OWDA loans, which increased the deduction amount for OWDA Loans by \$11,231.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2022 are as follows:

Year Ending	O.P.W.C				
	Loans Principal	O.W.D.A Loans Principal Interest		Financed Purchases Principal Interest	
December 31:					
2023	\$106,571	\$584,723	\$164,005	\$59,633	\$15,156
2024	107,544	604,758	144,851	61,436	13,353
2025	107,543	625,976	125,197	63,293	11,496
2026	105,210	474,512	104,732	33,741	9,582
2027	104,159	327,095	92,273	34,812	8,511
2028-2032	488,680	1,252,578	329,522	191,353	25,264
2033-2037	453,101	927,918	170,223	41,991	1,333
2038-2042	373,836	481,784	25,226		
2043-2047	239,379	-	-		
2048-2052	89,932	-	-		
Total	\$2,175,955	\$ 5,279,344	\$ 1,156,029	\$486,259	\$84,695

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt (continued)

The amortization schedules for OWDA Loans #7917, #7919, #8892, #9172, and #10042, OPWC Loans #CT09W and #CI45Z, Farmers Loan #20059 and #20060, and the AMP Ohio loan have not yet been completed.

Financed Purchases

The Village has entered into financed purchases agreements for vehicles where ownership of the underlying asset transfers to the Village by the end of the contract. The Village disbursed \$74,789 to pay these costs for the fiscal year ended December 31, 2022.

Combustion Turbine Project

In August 2003, AMP financed, with a draw on its Line of Credit, the acquisition of three gas turbine installations, located in Bowling Green, Galion and Napoleon, Ohio (each of which is an AMP Member), plus an inventory of spare parts. Each installation consists of two gas-fired turbine generators, one 32 MW and one 16.5 MW, with an aggregate nameplate capacity for all three installations of 145.5 MW. The Combustion Turbine Project has no debt outstanding.

The Village of Grafton has executed a take-and-pay power sales contract with AMP as a participant of the AMP CT Project of 1,700 kW or 1.20% of capacity and associated energy from the AMP CT Project.

Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus ("PSEC"), a two unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the "Initial Prairie State Bonds") to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017 and 2019, AMP issued bonds (the "Prairie State Refunding Bonds" and, together with the Initial Prairie State Bonds, the "Prairie State Bonds") to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of December 31, 2020, AMP had \$1,470,255,000 aggregate principal amount of Prairie State Bonds outstanding.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "Prairie State Power Sales Contract") with 68 Members (the "Prairie State Participants"). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 1,294 kW or 0.35% of capacity and associated energy from the PSEC.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt (continued)

AMP Fremont Energy Center

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation ("FirstEnergy") the Fremont Energy Center ("AFEC"), a combined cycle, natural gas fueled electric generating plant, then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. AFEC has a capacity of 512 MW (unfired)/675 MW (fired) and consists of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to the Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the "90.69% Interest") is sold to AMP Members pursuant to a take-or-pay power sales contract with 86 of its Members (the "AFEC Power Sales Contract").

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the "2012 AFEC Bonds"), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017, AMP issued bonds (the "AFEC Refunding Bonds" and, together with the 2012 AFEC Bonds, the "AFEC Bonds") to refund a portion of the 2012 AFEC Bonds. As of December 31, 2021, \$478,965,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 1,365 kW or 0.29% of capacity and associated energy from the AFEC.

Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), in an original aggregate principal amount of \$2,142,071,461 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take- or-pay power sales contract with 79 of its Members. As of December 31, 2020, \$2,140,742,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$23.01 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt (continued)

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. ("Voith"), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for the conclusion of discovery in April 2021, but no trial date has been set.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 899 kW or 0.43% of capacity and associated energy from the Combined Hydroelectric Projects.

Note 11 - Contingent Liabilities

The Village may be a defendant in lawsuits. Although the outcome of any lawsuit is not presently determinable, in the opinion of the Village Solicitor, the resolution of any matter will not have a material adverse effect on the financial condition of the Village.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Note 12 – Joint Ventures

OMEGA JV2 (latest information available)

The Village of Grafton is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

**Village of Grafton
Lorain County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

Note 12 – Joint Ventures (continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2022, the outstanding debt was \$605. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2022 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 12 – Joint Ventures (continued)

OMEGA JV5 (latest information available)

The Village of Grafton is a Financing Participant with an ownership percentage of .64%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Management Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net position will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of the OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2022 the Village of Grafton has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

**Village of Grafton
Lorain County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

Note 12 – Joint Ventures (continued)

OMEGA JV5 is managed by AMP, which acts as the joint venture’s agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP’s revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued 2016 Beneficial Interest Certificates (“2016 Certificates”) in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

Note 13 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2022			Other	Total
Fund Balances	General	Capital Improvement	Governmental Funds	Governmental Funds
<u>Restricted for</u>				
Computer service	\$ -	\$ -	\$ 280	\$ 280
Law enforcement	-	-	27,301	27,301
Street and highway repair	-	-	103,887	103,887
Village event	-	-	19,121	19,121
Capital improvements	-	1,054,962	263,632	1,318,594
ARPA	-	-	600,201	600,201
Total restricted	<u> </u>	<u>1,054,962</u>	<u>1,014,422</u>	<u>2,069,384</u>
<u>Assigned</u>				
Encumbrances	<u>121,703</u>	<u>-</u>	<u>-</u>	<u>121,703</u>
Unassigned	<u>1,463,029</u>	<u>-</u>	<u>-</u>	<u>1,463,029</u>
Total fund balances	<u>\$ 1,584,732</u>	<u>\$ 1,054,962</u>	<u>\$ 1,014,422</u>	<u>\$ 3,654,116</u>

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 14 – 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. Ohio’s state of emergency ended in June 2021, while the national state of emergency continues. During 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

Note 15 – Transfers

During 2022, the following transfers were made:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 110,766	\$ (110,766)
Electric fund	\$ 110,767	\$ (110,767)
Total	<u>\$ 221,533</u>	<u>\$ (221,533)</u>

The above-mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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Village of Grafton
Lorain County
Statement of Net Position - Cash Basis
December 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 3,389,773	\$ 5,548,680	\$ 8,938,453
Total assets	<u>3,389,773</u>	<u>5,548,680</u>	<u>8,938,453</u>
Net Position			
Restricted for:			
Capital projects	1,657,436	-	1,657,436
Other purposes	474,207	-	474,207
Unrestricted	<u>1,258,130</u>	<u>5,548,680</u>	<u>6,806,810</u>
Total net position	<u>\$ 3,389,773</u>	<u>\$ 5,548,680</u>	<u>\$ 8,938,453</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2021

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
General government	\$ 989,862	\$ 43,532	\$ -	\$ -	\$ (946,330)	\$ -	\$ (946,330)
Security of persons and property	808,704	80,269	-	-	(728,435)	-	(728,435)
Public health services	36,355	-	298,907	-	262,552	-	262,552
Leisure time activities	45,713	3,000	30,615	-	(12,098)	-	(12,098)
Community environment	35,797	-	-	-	(35,797)	-	(35,797)
Basic utility services	330,641	288,598	-	-	(42,043)	-	(42,043)
Transportation	334,899	5,264	311,419	-	(18,216)	-	(18,216)
Capital outlay	924,703	-	-	409,280	(515,423)	-	(515,423)
Debt service:							
Principal retirement	284,773	-	-	-	(284,773)	-	(284,773)
Interest and fiscal charges	24,472	-	-	-	(24,472)	-	(24,472)
Total governmental activities	3,815,919	420,663	640,941	409,280	(2,345,035)	-	(2,345,035)
Business Type Activities							
Water	931,978	915,366	-	-	-	(16,612)	(16,612)
Sewer	1,909,167	1,766,472	-	-	-	(142,695)	(142,695)
Electric	4,415,592	3,437,378	-	-	-	(978,214)	(978,214)
Capital sewer	10,665	-	-	-	-	(10,665)	(10,665)
Other enterprise	353,162	11,480	-	-	-	(341,682)	(341,682)
Total business-type activities	7,620,564	6,130,696	-	-	-	(1,489,868)	(1,489,868)
Total government	\$ 11,436,483	\$ 6,551,359	\$ 640,941	\$ 409,280	(2,345,035)	(1,489,868)	(3,834,903)
General Receipts							
Municipal income taxes levied for:							
General purposes					1,158,912	-	1,158,912
Capital outlay					579,369	-	579,369
Property taxes levied for:							
General purposes					313,202	-	313,202
Security of persons and property					21,068	-	21,068
Grants and entitlements not restricted to specific programs							
Loans issued					107,175	-	107,175
OWDA debt issued					-	507,919	507,919
Capital lease issue					-	392,965	392,965
Earnings on investment					426,979	148,811	575,790
Miscellaneous					13,423	-	13,423
					308,808	-	308,808
Total general receipts					2,928,936	1,049,695	3,978,631
Change in net position					583,901	(440,173)	143,728
Net position beginning of year					2,805,872	5,988,853	8,794,725
Net position end of year					\$ 3,389,773	\$ 5,548,680	\$ 8,938,453

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2021

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and cash equivalents	\$ 1,258,130	\$ 1,390,108	\$ 741,535	\$ 3,389,773
Total assets	<u>\$ 1,258,130</u>	<u>\$ 1,390,108</u>	<u>\$ 741,535</u>	<u>\$ 3,389,773</u>
Fund Balances				
Restricted	-	1,390,108	741,535	2,131,643
Assigned	113,969	-	-	113,969
Unassigned	1,144,161	-	-	1,144,161
Total fund balances	<u>\$ 1,258,130</u>	<u>\$ 1,390,108</u>	<u>\$ 741,535</u>	<u>\$ 3,389,773</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal income taxes	\$ 1,158,912	\$ 540,830	\$ 38,539	\$ 1,738,281
Property and other local taxes	313,202	-	21,068	334,270
Charges for services	331,412	-	-	331,412
Fines, licenses and permits	60,028	-	1,385	61,413
Intergovernmental	107,175	-	1,000,537	1,107,712
Special assessments	5,264	-	-	5,264
Earnings on Investment	13,423	-	-	13,423
Miscellaneous	315,110	-	65,956	381,066
Total receipts	2,304,526	540,830	1,127,485	3,972,841
Disbursements				
Current:				
General government	965,719	-	24,143	989,862
Security of persons and property	787,377	-	21,327	808,704
Public health services	36,355	-	-	36,355
Leisure time activities	45,713	-	-	45,713
Community environment	35,797	-	-	35,797
Basic utility services	241,730	87,813	1,098	330,641
Transportation	-	-	334,899	334,899
Capital outlay	-	498,428	426,275	924,703
Debt service:				
Principal retirement	126,500	158,273	-	284,773
Interest and fiscal charges	3,500	20,972	-	24,472
Total disbursements	2,242,691	765,486	807,742	3,815,919
Excess of receipts over (under) disbursements	61,835	(224,656)	319,743	156,922
Other financing sources (uses)				
Bonds issued	-	-	-	-
Capital Lease issued	-	426,979	-	426,979
Other debt proceeds	-	-	-	-
Transfers in	110,702	-	-	110,702
Transfers out	(110,702)	-	-	(110,702)
Total other financing sources (uses)	-	426,979	-	426,979
Net change in fund balance	61,835	202,323	319,743	583,901
Fund balances beginning of year	1,196,295	1,187,785	421,792	2,805,872
Fund balances end of year	<u>\$ 1,258,130</u>	<u>\$ 1,390,108</u>	<u>\$ 741,535</u>	<u>\$ 3,389,773</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal income taxes	\$ 940,345	\$ 1,149,830	\$ 1,158,912	\$ 9,082
Property and other local taxes	307,757	307,757	313,202	5,445
Charges for services	268,909	328,815	331,412	2,597
Fines, licenses and permits	48,707	59,558	60,028	470
Intergovernmental	86,962	106,335	107,175	840
Special assessments	4,271	5,223	5,264	41
Earnings on Investment	10,891	13,318	13,423	105
Miscellaneous	255,681	312,641	315,110	2,469
Total receipts	1,923,523	2,283,476	2,304,526	21,050
Disbursements				
Current:				
General government	1,686,922	2,034,008	1,021,553	1,012,455
Security of persons and property	862,000	881,675	830,674	51,001
Public health services	40,000	40,000	36,355	3,645
Leisure time activities	69,000	69,000	45,713	23,287
Community environment	60,000	60,000	48,270	11,730
Basic utility services	235,000	247,000	244,095	2,905
Transportation	51,000	51,000	-	51,000
Debt service:				
Principal retirement	-	-	126,500	(126,500)
Interest and fiscal charges	-	-	3,500	(3,500)
Total disbursements	3,003,922	3,382,683	2,356,660	1,026,023
Excess of receipts over (under) disbursements	(1,080,399)	(1,099,207)	(52,134)	1,047,073
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Transfers in	110,000	110,702	110,702	-
Transfers out	(89,824)	(109,834)	(110,702)	(868)
Total other financing sources (uses)	20,176	868	-	(868)
Net change in fund balance	(1,060,223)	(1,098,340)	(52,134)	1,046,206
Fund balance at beginning of year	1,100,575	1,100,575	1,100,575	-
Prior year encumbrances appropriated	95,720	95,720	95,720	-
Fund balance at end of year	\$ 136,072	\$ 97,955	\$ 1,144,161	\$ 1,046,206

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in pooled cash and cash equivalents	\$ 1,165,439	\$ 2,910,573	\$ 1,418,776	\$ 53,892	\$ 5,548,680
Net position					
Unrestricted	1,165,439	2,910,573	1,418,776	53,892	5,548,680
Total net position	<u>\$ 1,165,439</u>	<u>\$ 2,910,573</u>	<u>\$ 1,418,776</u>	<u>\$ 53,892</u>	<u>\$ 5,548,680</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2021

	Water	Sewer	Electric	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts					
Charges for services	\$ 912,829	\$ 1,764,334	\$ 3,196,664	\$ 11,480	\$ 5,885,307
Other operating receipts	2,537	2,138	240,714	-	245,389
Total operating receipts	915,366	1,766,472	3,437,378	11,480	6,130,696
Operating Disbursements					
Personal services	64,615	214,611	230,435	-	509,661
Employee fringe benefits	20,598	123,686	85,345	-	229,629
Travel and transportation	5,884	6,275	16,380	-	28,539
Contractual services	480,727	76,559	2,794,421	9,818	3,361,525
Supplies and materials	48,358	261,368	236,102	-	545,828
Total operating disbursements	620,182	682,499	3,362,683	9,818	4,675,182
Operating income	295,184	1,083,973	74,695	1,662	1,455,514
Non-operating receipts (disbursements)					
Loan proceeds	-	-	507,919	-	507,919
Other debt proceeds	38,956	-	-	354,009	392,965
Capital Lease Inception	-	-	148,811	-	148,811
Capital outlay	(241,059)	(512,308)	(901,005)	(354,009)	(2,008,381)
Principal retirement	(64,065)	(519,782)	(145,159)	-	(729,006)
Interest and fiscal charges	(6,672)	(194,578)	(6,745)	-	(207,995)
Total non-operating receipts and disbursements	(272,840)	(1,226,668)	(396,179)	-	(1,895,687)
Transfers					
Transfers in	-	-	110,702	-	110,702
Transfers out	-	-	(110,702)	-	(110,702)
Total transfers	-	-	-	-	-
Change in net position	22,344	(142,695)	(321,484)	1,662	(440,173)
Net position beginning of year	1,143,095	3,053,268	1,740,260	52,230	5,988,853
Net position end of year	<u>\$ 1,165,439</u>	<u>\$ 2,910,573</u>	<u>\$ 1,418,776</u>	<u>\$ 53,892</u>	<u>\$ 5,548,680</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2021

	Custodial
Assets	
Equity in pooled cash and cash equivalents	\$ 18,991
Total assets	18,991
Net Position	
Restricted for:	
Deposits	18,991
Total net position	\$ 18,991

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2021

	Custodial
	Other Custodial
Additions	
Fines, Licenses and Permits for Distribution	\$ 43,933
<i>Total Additions</i>	43,933
Deductions	
Other Distributions	40,560
<i>Total Deductions</i>	40,560
<i>Change in Net Position</i>	3,373
<i>Net Position Beginning of Year</i>	15,618
<i>Net Position End of Year</i>	\$18,991

See accompanying notes to the basic financial statements

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Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Grafton, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include five council members, a clerk/treasurer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, utility (including water, sewer, and electricity) and general administrative services.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Grafton provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer, electric and refuse collection. Council has direct responsibility for these services.

Joint Ventures and Public Entity Risk Pools

The Village participates in joint ventures and a public entity risk pool. Notes 12 and 7 to the financial statements, respectively, provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses fund accounting 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 in three categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General 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.

Capital Improvement Fund The capital improvements fund accounts for and reports that portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village’s major enterprise funds:

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

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

Electric Fund This fund is used to record user charges for the costs of providing electric service to Village residents and businesses.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village’s custodial funds account for amounts collected and distributed on behalf of the mayor’s court.

Basis of Accounting

The Village’s financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is Village Council’s authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The Village’s investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Village. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2021 were \$13,423 which included \$918 assigned from other Village funds.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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. Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by ordinance, or by State statute. State Statute authorizes the Village Clerk/Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Village Council can also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue 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 contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis). For 2021, the outstanding encumbrances at year end (budgetary basis) amounted to \$113,969 for the general fund.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories:

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Village of Grafton
Lorain County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits and Investments (continued)

Interim monies held by the Village may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Village had \$400 in undeposited cash on hand, which is included on the Statement of Cash Basis Asset and Fund Balances of the Village as part of "Equity in Pooled Cash and Cash Equivalents" for 2021.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2021, none of the Village's bank balance of \$4,122,801 (including CD's) was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution's for the Village or by OPCS.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in 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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, the Village had the following investments:

<u>Investment type</u>	<u>NAV</u>
STAR Ohio	\$ 4,833,883

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 5 – Property Taxes (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rates for all Village operations for the year ended December 31, 2021 (latest information available), were \$4.76 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2020 property tax receipts were based are as follows:

	2021 <u>Collection</u> <u>Year</u>
Real Property	
Residential and Agricultural	\$ 52,163,030
Commercial, industrial and minerals	15,884,790
Public Utility	48,510
Tangible Personal Property	
Public Utility Personal	<u>907,290</u>
Total Assessed Value	<u>\$ 69,003,620</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 6 – Income Taxes

The Village levies a 1.5% income tax on substantially all income earned in the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. The Village contracts with the Regional Income Tax Agency (RITA) for the collection of taxes, including delinquencies and monitoring of compliance with filing requirements. In 2021, the receipts were allocated to the general, capital improvement and capital improvement parks funds

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

Village of Grafton

Lorain County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2021*

Note 7 – Risk Management (continued)

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2021:

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
2021 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee*	10.0	%
2021 Actual Contribution Rates		
Employer		
Pension****	14.0	%
Post-employment Health Care Benefits****	0.0	
Total Employer	14.0	%
Employee	10.0	%

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

**** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$130,573 for the year 2021.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – Village full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F ACFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percentage increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3 percent of their base pension or disability benefit.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (continued)

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police		Fire fighters	
2021 Statutory Maximum Contribution Rates				
Employer	19.50 %		24.00 %	
Employee	12.25 %		12.25 %	
2021 Actual Contribution Rates				
Employer:				
Pension	19.00 %		23.50 %	
Post-employment Health Care Benefits	0.50		0.50	
Total Employer	19.50 %		24.00 %	
Employee	12.25 %		12.25 %	

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OP&F was \$51,914 for 2021.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS ACFR referenced below for additional information.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 9 - Postemployment Benefits (continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$0 for 2021.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 9 - Postemployment Benefits (continued)

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contractually required contribution to OP&F was \$1,099 for 2021.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Public Works Commission (OPWC) Loans:			
Willow Street Reconstruction - CT22D	0.00%	\$ 114,953	July 1, 2022
Center Street Revitalization - CT79H	0.00%	21,014	January 1, 2026
Cleveland Street Drainage System Improvement - CI31J	0.00%	100,787	January 1, 2029
SR 57/Commerce Drive Storm Drainage - CI44M	0.00%	170,000	January 1, 2030
Parsons Road Improvements - CI31L	0.00%	35,000	January 1, 2025
Mechanic Street Improvements - CI21R	0.00%	249,000	July 1, 2045
Mechanic Street improvements Phase II - CI38S	0.00%	176,450	January 1, 2038
WWTP Improvements - CI41Q	0.00%	149,848	July 1, 2041
Elevated Water Storage Tank Replacement - CI55R	0.00%	545,834	January 1, 2049
Main Street Waterline Loop Replacement - CT27T	0.00%	113,505	January 1, 2049
Booster Pump Station - CI36T	0.00%	280,000	July 1, 2049
Oak Street Improvements - CI05U	0.00%	53,514	July 1, 2050
Chestnut Street Improvements - CI05V	0.00%	176,790	July 1, 2040
WWTP Improvements - CT30V	0.00%	200,000	July 1, 2040
Mechanic & Crook Streets Waterline Improvements Phase 1 - CT42X	0.00%	36,304	July 1, 2051
Ohio Water Development Authority (OWDA) Loans:			
WWTP Improvements - 3265	6.41%	3,081,451	January 1, 2026
Mechanic St Line Replacement - 6864	2.78%	342,788	July 1, 2025
Grafton WWTP Improvements - 6609	3.62%	3,134,068	January 1, 2040
Grafton Elm St Waterline Replacement - 6863	2.78%	236,003	January 1, 2026
Grafton Mechanic Street Sewer and Water Phase 2 - 7280	2.46%	410,338	January 1, 2027
Elevated Water Storage Tank Replacement - 7917	1.34%	1,144,705	January 1, 2039
Main Street Water Line Loop Replacement - 7918	1.34%	553,059	July 1, 2038
Booster Pump Station Replacement - 7919	1.34%	487,281	July 1, 2038
Asset Management Plan - 8204	0.00%	39,055	January 1, 2024
Water and Sewer Improvements on Oak Street - 8225	2.87%	374,696	July 1, 2029
Wastewater Treatment Plant Improvements - 8380	2.92%	507,794	January 1, 2021
Chestnut Street Improvement Phase I - 8408	2.87%	338,536	January 1, 2030
Chestnut Street Improvement Phase 2 - 8776	1.85%	318,296	January 1, 2031
Elevated Tank Rehabilitation - 8892	1.87%	251,067	January 1, 2031
Farmers Loan - 19879	Variable	400,000	April 10, 2028
Farmers Loan - 20059	Variable	250,000	March 5, 2029
Farmers Loan - 20060	Variable	650,000	March 5, 2029

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (continued)

The Village’s long-term debt activity for the year ended December 31, 2021 was as follows:

	Interest Rates	Restated Balance at 1/1/2021	Increase	Decrease	Balance at 12/31/21	Due in 1 Year
Governmental Activities:						
OPWC Loans	0%	\$ 1,095,423	\$ -	\$ (50,417)	\$ 1,045,006	\$ 53,716
OWDA Loans	1.34% - 6.41%	1,134,549	-	(72,138)	1,062,411	60,686
Capital Lease	3.17%	35,718	426,979	(35,718)	426,979	29,959
Loans Payable	0%	277,933	-	(126,500)	151,433	100,000
Total Governmental Activities		<u>\$2,543,623</u>	<u>\$ 426,979</u>	<u>\$(284,773)</u>	<u>\$2,685,829</u>	<u>\$244,361</u>
Business-Type Activities:						
OPWC Loans	0%	\$ 1,241,563	\$ 38,956	\$ (47,305)	\$ 1,233,214	\$ 48,549
OWDA Loans	1.34% - 6.41%	6,040,588	354,009	(536,542)	5,858,055	599,515
AMP Ohio	2.75%	-	507,919	-	507,919	-
Capital Lease	2.86%	-	148,811	(31,466)	117,345	28,106
Loans Payable	0%	472,700	-	(113,693)	359,007	100,000
Total Business-Type Activities		<u>\$7,754,851</u>	<u>\$1,049,695</u>	<u>\$(729,006)</u>	<u>\$8,075,540</u>	<u>\$776,170</u>

The Ohio Public Works Commission and Ohio Water Development Authority Loans were used for improvements to the Village’s water treatment and sewer treatment systems. The loans will be paid from user charges.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2021 are as follows:

Year Ending	O.P.W.C		
	Loans Principal	O.W.D.A Loans Principal Interest	
December 31:			
2022	\$102,266	\$502,145	\$193,062
2023	106,571	524,114	171,094
2024	107,544	547,190	148,019
2025	107,543	571,434	123,774
2026	105,210	419,077	98,569
2027-2031	502,219	1,137,929	346,152
2032-2036	453,101	766,541	191,402
2037-2041	407,794	624,533	46,024
2042-2046	253,975	-	-
2047-2051	131,997	-	-
Total	<u>\$2,278,221</u>	<u>\$ 5,092,963</u>	<u>\$ 1,318,096</u>

The amortization schedules for OWDA Loans #7917, #7918, #7919, #8204, #8225, #8408, and #8380 as well as the Farmers Loan #19879, #20059, #20060 have not yet been completed.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (continued)

Leases

In 2021, the Village entered into a capital lease for the purchase of a fire truck. The Village disbursed \$0 to pay lease costs for the year ended December 31, 2021. Capital lease payments are reflected as functional disbursements in the financial statements for the governmental funds.

In 2021, the Village entered into a capital lease for the purchase of a bucket truck. The Village disbursed \$31,466 to pay lease costs for the year ended December 31, 2021. Capital lease payments are reflected as functional disbursements in the financial statements for the governmental funds.

The following is a schedule of future minimum lease payments under this capital lease and present value of the net lease payments at December 31, 2021.

Year Ending December 31:	<u>Fire Truck</u>	<u>Bucket Truck</u>
2022	\$43,323	\$31,466
2023	43,323	31,466
2024	43,323	31,466
2025	43,323	31,465
2026	43,323	-
2027-2031	216,618	-
2032-2036	86,648	-
Total Minimum Lease Payment	<u>519,881</u>	<u>125,863</u>
Less: Amount Representing Interest	<u>(92,202)</u>	<u>(8,518)</u>
Present Value of Minimum Lease Payments	<u><u>\$426,979</u></u>	<u><u>\$117,345</u></u>

Combustion Turbine Project

In August 2003, AMP financed, with a draw on its Line of Credit, the acquisition of three gas turbine installations, located in Bowling Green, Galion and Napoleon, Ohio (each of which is an AMP Member), plus an inventory of spare parts. Each installation consists of two gas-fired turbine generators, one 32 MW and one 16.5 MW, with an aggregate nameplate capacity for all three installations of 145.5 MW. The Combustion Turbine Project has no debt outstanding.

The Village of Grafton has executed a take-and-pay power sales contract with AMP as a participant of the AMP CT Project of 1,700 kW or 1.20% of capacity and associated energy from the AMP CT Project.

Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus ("PSEC"), a two unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (continued)

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the "Initial Prairie State Bonds") to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017 and 2019, AMP issued bonds (the "Prairie State Refunding Bonds" and, together with the Initial Prairie State Bonds, the "Prairie State Bonds") to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of December 31, 2020, AMP had \$1,470,255,000 aggregate principal amount of Prairie State Bonds outstanding.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "Prairie State Power Sales Contract") with 68 Members (the "Prairie State Participants"). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 1,294 kW or 0.35% of capacity and associated energy from the PSEC.

AMP Fremont Energy Center

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation ("FirstEnergy") the Fremont Energy Center ("AFEC"), a combined cycle, natural gas fueled electric generating plant, then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. AFEC has a capacity of 512 MW (unfired)/675 MW (fired) and consists of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to the Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the "90.69% Interest") is sold to AMP Members pursuant to a take-or-pay power sales contract with 86 of its Members (the "AFEC Power Sales Contract").

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the "2012 AFEC Bonds"), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017, AMP issued bonds (the "AFEC Refunding Bonds" and, together with the 2012 AFEC Bonds, the "AFEC Bonds") to refund a portion of the 2012 AFEC Bonds. As of December 31, 2021, \$478,965,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 1,365 kW or 0.29% of capacity and associated energy from the AFEC.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (continued)

Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), in an original aggregate principal amount of \$2,142,071,461 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take- or-pay power sales contract with 79 of its Members. As of December 31, 2020, \$2,140,742,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$23.01 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. ("Voith"), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for the conclusion of discovery in April 2021, but no trial date has been set.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 899 kW or 0.43% of capacity and associated energy from the Combined Hydroelectric Projects.

Note 11 - Contingent Liabilities

The Village may be a defendant in lawsuits. Although the outcome of any lawsuit is not presently determinable, in the opinion of the Village Solicitor, the resolution of any matter will not have a material adverse effect on the financial condition of the Village.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 12 – Joint Ventures

OMEGA JV2 (latest information available)

The Village of Grafton is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2021, the outstanding debt was \$1,045,540. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 12 – Joint Ventures (continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2021 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

OMEGA JV5 (latest information available)

The Village of Grafton is a Financing Participant with an ownership percentage of .64%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 12 – Joint Ventures (continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Management Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net position will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of the OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2021 the Village of Grafton has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

Village of Grafton
Lorain County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 13 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2021			Other	Total
Fund Balances	General	Capital Improvement	Governmental Funds	Governmental Funds
<u>Restricted for</u>				
Computer service	\$ -	\$ -	\$ 210	\$ 210
Law enforcement	-	-	26,801	26,801
Street and highway repair	-	-	131,506	131,506
Village event	-	-	13,342	13,342
ARPA	-	-	298,907	298,907
Capital improvements	<u> </u>	1,390,108	<u>270,769</u>	<u>1,660,877</u>
Total restricted	<u> </u>	<u>1,390,108</u>	<u>741,535</u>	<u>2,131,643</u>
 <u>Assigned</u>				
Encumbrances	<u>113,969</u>	<u> </u>	<u> </u>	<u>113,969</u>
Unassigned	<u>1,144,161</u>	<u> </u>	<u> </u>	<u>1,144,161</u>
Total fund balances	<u>\$ 1,258,130</u>	<u>\$ 1,390,108</u>	<u>\$ 741,535</u>	<u>\$ 3,389,773</u>

Note 14 – 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. Ohio’s state of emergency ended in June 2021, while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 15 – Transfers

During 2021, the following transfers were made:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 110,702	\$ (110,702)
Electric fund	\$ 110,702	\$ (110,702)
Total	<u>\$ 221,404</u>	<u>\$ (221,404)</u>

The above-mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Grafton
Lorain County
960 Main Street
Grafton, Ohio 44044

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grafton, Lorain County, (the Village) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 19, 2024, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as item 2022-001.

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2024

Village of Grafton
Lorain County

SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Improper Transfer and Financial Reporting

FINDING NUMBER – 2022-001

Noncompliance and Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Ohio Rev. Code §§ 5705.14-16 provides requirements with respect to interfund transfers. With few limited exceptions these requirements indicate that except for transfers from the General Fund, no transfer shall be made from one fund of a subdivision to any other fund.

In 2022, the Village received and properly receipted \$600,201 of State and Local Fiscal Recovery Fund (SLFRF) monies into a Special Revenue fund. Pursuant to Council-approved resolution, the Village transferred these funds from the Special Revenue fund to the General fund. This transfer is not allowable pursuant to Ohio Rev. Code §§ 5705.14-16. Further, the money was placed within a contingency fund in the General fund. As this is essentially a "rainy day" fund, it is not a proper use of SLFRF, as rainy day funds are one of the overarching unallowable uses of SLFRF. Management has returned the funds to the Special Revenue fund and adjusted the 2022 financial statements accordingly.

Additionally, in 2021, the following activity was improperly recorded and properly adjusted in the Village's financial statements:

- In the General Fund, the Village improperly posted a grant receipt for \$10,000 to miscellaneous revenue instead of intergovernmental revenue;
- In the Capital Improvement Fund, the Village did not record the proceeds of a capital lease totaling \$426,979;
- Principal retirement and interest expenses of \$72,138 and \$19,733, respectively, were improperly posted to the Water and Sewer Funds, but should have posted to the Capital Improvement Fund;
- Debt proceeds and principal retirement and interest expense related to various OWDA loans were improperly recorded in the Water and Sewer Funds, resulting in various adjustments;
- In the Electric Fund, the Village improperly posted the proceeds of a bank loan of \$467,440 and capital lease of \$148,811 to other operating receipts.

**Village of Grafton
Lorain County**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

In 2022, the following activity was improperly recorded and properly adjusted in the Village's financial statements:

- Principal retirement and interest expenses of \$60,686 and \$8,125, respectively, were improperly posted to the Water and Sewer Funds, but should have been posted to the Capital Improvement Fund;
- Principal retirement and interest expense related to various OWDA loans were improperly recorded in the Water and Sewer Funds, resulting in various adjustments;
- In the Electric Fund, the Village improperly posted a grant receipt for \$15,000 to other operating receipts instead of intergovernmental revenue in the General Fund.

Failure to record interfund transfers properly and pursuant to Ohio law can result in noncompliance with federal and state laws and material financial statement errors. Additionally, failure to properly record receipts and disbursements could result in errors in the financial statements and inaccurate information being reported to Council and the Village residents.

The Village should ensure all interfund transfers are in accordance with the requirements of Ohio Rev. Code §§ 5705.14-16. The Village can then use the proper method per Bulletin 2021-004 to bill costs when Council determines what the money will be spent on. We also recommend the Village adopt policies and procedures for controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year.

Official's Response:

Regarding the SLFRF funds, the adjustment has been made. The Village has never had an intergovernmental revenue line item in the General fund. Usually before sending revenue information for our financial report, we would highlight what funds were grants. This one was missed. We have always paid loans (including OWDA) from water and sewer funds if they were water and sewer projects. The grant receipt in the electric fund was an oversight.



VILLAGE OF GRAFTON

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2022 AND 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	The Village had various revenue and expenditure mispostings.	Not corrected.	Repeated as 2022-001

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF GRAFTON

LORAIN 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 10/10/2024

65 East State 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