



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ORWELL
ASHTABULA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	19

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Orwell
Ashtabula County
P.O. Box 56
179 West Main Street
Orwell, Ohio 44076

To the Village Council:

We have audited the accompanying financial statements of the Village of Orwell (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

July 8, 2002

VILLAGE OF ORWELL
ASHTABULA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$68,995	\$77,075			\$146,070
Special Assessments			4,126	2,825	6,951
Intergovernmental Receipts	50,889	56,857			107,746
Charges for Services	32,901				32,901
Fines, Licenses, and Permits	9,659	443			10,102
Earnings on Investments	18,767	783			19,550
Miscellaneous	16,349	3,124		10,000	29,473
Total Cash Receipts	197,560	138,282	4,126	12,825	352,793
Cash Disbursements:					
Current:					
Security of Persons and Property	285,712	69,050			354,762
Public Health Services	11,420				11,420
Leisure Time Activities	13,646				13,646
Community Environment	4,911				4,911
Basic Utility Services				82	82
Transportation	10,997	101,634			112,631
General Government	262,326				262,326
Debt Service:					
Financing and Other Debt-Service Related			120		120
Capital Outlay	4,273			102,314	106,587
Total Cash Disbursements	593,285	170,684	120	102,396	866,485
Total Receipts Over/(Under) Disbursements	(395,725)	(32,402)	4,006	(89,571)	(513,692)
Other Financing Receipts/(Disbursements):					
Other Financing Sources				4,280	4,280
Transfers-In	497,210	28,412	21,600	42,618	589,840
Total Other Financing Receipts/(Disbursements)	497,210	28,412	21,600	46,898	594,120
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	101,485	(3,990)	25,606	(42,673)	80,428
Fund Cash Balances, January 1, 2001	99,071	73,795	158,952	152,408	484,226
Fund Cash Balances, December 31, 2001	\$200,556	\$69,805	\$184,558	\$109,735	\$564,654
Reserves for Encumbrances, December 31, 2001	\$11,524	\$2,860	\$0	\$0	\$14,384

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

VILLAGE OF ORWELL
ASHTABULA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary	Fiduciary	Totals (Memorandum Only)
	Fund Types	Fund Type	
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$603,937	\$0	\$603,937
Miscellaneous	52,859		52,859
Total Operating Cash Receipts	656,796	0	656,796
Operating Cash Disbursements:			
Personal Services	166,450		166,450
Contractual Services	148,107	13,133	161,240
Supplies and Materials	37,572		37,572
Capital Outlay	20,431		20,431
Total Operating Cash Disbursements	372,560	13,133	385,693
Operating Income/(Loss)	284,236	(13,133)	271,103
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		581,373	581,373
Other Non-Operating Receipts	40,859	11,396	52,255
Total Non-Operating Cash Receipts	40,859	592,769	633,628
Non-Operating Cash Disbursements:			
Debt Service	209,050		209,050
Other Non-Operating Cash Disbursements		11,396	11,396
Total Non-Operating Cash Disbursements	209,050	11,396	220,446
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	116,045	568,240	684,285
Transfers-In	30,000		30,000
Transfers-Out	(51,600)	(568,240)	(619,840)
Net Receipts Over/(Under) Disbursements	94,445	0	94,445
Fund Cash Balances, January 1, 2001	79,321	0	79,321
Fund Cash Balances, December 31, 2001	\$173,766	\$0	\$173,766
Reserve for Encumbrances, December 31, 2001	\$550	\$0	\$550

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

VILLAGE OF ORWELL
ASHTABULA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$59,491	\$72,874			\$132,365
Special Assessments			3,881	3,534	7,415
Intergovernmental Receipts	45,068	73,528			118,596
Charges for Services	22,758				22,758
Fines, Licenses, and Permits	21,348	1,066			22,414
Earnings on Investments	27,323	1,138			28,461
Miscellaneous	19,197	521		2,099	21,817
Total Cash Receipts	195,185	149,127	3,881	5,633	353,826
Cash Disbursements:					
Current:					
Security of Persons and Property	287,233	98,753			385,986
Public Health Services	13,319				13,319
Leisure Time Activities	17,676				17,676
Community Environment	894				894
Basic Utility Services				88	88
Transportation	2,909	90,890			93,799
General Government	252,204				252,204
Debt Service:					
Financing and Other Debt-Service Related			128		128
Capital Outlay	1,582			112,865	114,447
Total Cash Disbursements	575,817	189,643	128	112,953	878,541
Total Receipts Over/(Under) Disbursements	(380,632)	(40,516)	3,753	(107,320)	(524,715)
Other Financing Receipts/(Disbursements):					
Sale of Assets	2,200				2,200
Transfers-In	420,815	28,054	21,600	112,217	582,686
Transfers-Out	(49,832)				(49,832)
Total Other Financing Receipts/(Disbursements)	373,183	28,054	21,600	112,217	535,054
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,449)	(12,462)	25,353	4,897	10,339
Fund Cash Balances January 1, 2000	106,520	86,257	133,599	147,511	473,887
Fund Cash Balances, December 31, 2000	\$99,071	\$73,795	\$158,952	\$152,408	\$484,226
Reserves for Encumbrances, December 31, 2000	\$13,746	\$6,603	\$0	\$106	\$20,455

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

VILLAGE OF ORWELL
ASHTABULA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$544,482	\$0	\$544,482
Total Operating Cash Receipts	544,482	0	544,482
Operating Cash Disbursements:			
Personal Services	180,797		180,797
Travel Transportation	35		35
Contractual Services	272,647	20,429	293,076
Supplies and Materials	33,355		33,355
Capital Outlay	150,572		150,572
Total Operating Cash Disbursements	637,406	20,429	657,835
Operating Income/(Loss)	(92,924)	(20,429)	(113,353)
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		581,515	581,515
Intergovernmental Receipts	100,000		100,000
Other Non-Operating Receipts	42,237	25,305	67,542
Total Non-Operating Cash Receipts	142,237	606,820	749,057
Non-Operating Cash Disbursements:			
Debt Service	212,095		212,095
Other Non-Operating Cash Disbursements		25,305	25,305
Total Non-Operating Cash Disbursements	212,095	25,305	237,400
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(162,782)	561,086	398,304
Transfers-In	79,833		79,833
Transfers-Out	(51,600)	(561,086)	(612,686)
Net Receipts Over/(Under) Disbursements	(134,549)	0	(134,549)
Fund Cash Balances, January 1, 2000	213,870	0	213,870
Fund Cash Balances, December 31, 2000	\$79,321	\$0	\$79,321
Reserve for Encumbrances, December 31, 2000	\$1,048	\$0	\$1,048

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Orwell, Ashtabula County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and fire and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in fund cash balances. 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 disbursements, respectively.

STAR Ohio funds are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Lighting Fund- This fund receives real estate tax money for maintaining of street lights within the Village.

Fire Levy Fund- This fund receives real estate tax money for expenditures related to the Fire Department.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Sewer Bonded Debt Fund- This fund receives proceeds of assessments of the Village citizens. The proceeds are being used for sewer plant improvements.

4. Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

Permanent Improvement Fund- This fund receives proceeds of local tax money. The proceeds are used for various improvements in the Village.

5. Enterprise Fund

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

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

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

6. Agency Fund

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

Income Tax Fund— Receives proceeds from the Village's local income tax and distributes these proceeds to the various funds according to the Village ordinance.

Mayor's Court Fund— Receives revenues generated from the Village's Mayor's Court that is distributed each month to the State of Ohio and the Village's General Fund.

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. The Village does budget for the Income Tax Agency Fund, but does not budget for the Mayor's Court Fund.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2001	2000
Demand deposits	\$ 135,653	\$ (3,424)
Total deposits	135,653	(3,424)
Repurchase agreements	602,767	566,971
Total investments	602,767	566,971
Total deposits and investments	\$738,420	\$563,547

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

Investments: The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$665,000	\$694,770	\$29,770
Special Revenue	168,000	166,694	(1,306)
Debt Service	26,000	25,726	(274)
Capital Projects	48,000	59,723	11,723
Enterprise	784,860	727,655	(57,205)
Fiduciary	600,000	581,373	(18,627)
Total	\$2,291,860	\$2,255,941	(\$35,919)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$769,413	\$604,809	\$164,604
Special Revenue	236,029	173,544	62,485
Debt Service	185,199	120	185,079
Capital Projects	200,586	102,396	98,190
Enterprise	966,873	633,760	333,113
Fiduciary	600,000	568,240	31,760
Total	\$2,958,100	\$2,082,869	\$875,231

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$600,000	\$618,200	\$18,200
Special Revenue	155,601	177,181	21,580
Debt Service	21,600	25,481	3,881
Capital Projects	203,000	117,850	(85,150)
Enterprise	592,859	766,552	173,693
Fiduciary	600,000	581,515	(18,485)
Total	\$2,173,060	\$2,286,779	\$113,719

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$711,862	\$639,395	\$72,467
Special Revenue	236,091	196,246	39,845
Debt Service	155,447	128	155,319
Capital Projects	350,688	113,059	237,629
Enterprise	861,863	902,149	(95,417)
Fiduciary	600,000	561,086	38,914
Total	\$2,860,820	\$2,412,063	\$448,757

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water fund by \$64,242 for the year ended December 31, 2000 and the Wellfield Improvement fund by \$88,420 and \$85,375 for the years ended December 31, 2000 and December 31, 2001 respectively.

Also contrary to Ohio law, at December 31, 2000 and December 31, 2001, the Wellfield Improvement fund had a cash deficit balance of -\$143,551 and -\$188,066.

4. PROPERTY TAX

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

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

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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

5. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency (Service organization that administers the collection of income tax receipts for the Village) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$838,368	6.32- 10.54%
General Obligation Bonds	470,000	6%
Capital Lease- Fire Truck	103,164	6%
Capital Lease- Police Cruiser	17,850	6.5%
Capital Lease- Fire Truck	23,270	6.5%
Total	<u>\$1,452,652</u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The OWDA approved \$1,282,809 in loans to the Village for these projects. The loans will be repaid in semiannual installments including interest, over 20 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Bonds were issued in 1998 for the purpose of improving the waterworks system of the Village. The General Obligation Bonds are collateralized by the Village's water receipts and collections from Kennametal Corporation.

The Village also entered into capital leases to purchase Village vehicles in 1997 and 2001.

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	OWDA Loans	General Obligation Bonds	Capital Lease Fire Truck	Capital Lease Police Cruiser	Capital Lease Fire Truck
2002	\$114,389	\$73,375	\$24,537	\$7,793	\$11,200
2003	114,389	80,719	24,537	7,793	11,200
2004	114,389	77,531	24,537	3,897	2,800
2005	95,060	74,354	24,537		
2006	95,060	81,156	24,537		
2007 – 2011	768,623	151,146			
Total	<u>\$1,301,910</u>	<u>\$538,281</u>	<u>\$122,685</u>	<u>\$19,483</u>	<u>\$25,200</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Orwell
Ashtabula County
P.O. Box 56
179 West Main Street
Orwell, Ohio 44076

To the Village Council:

We have audited the accompanying financial statements of the Village of Orwell (the Village) as of and for the years ended December 31, 2001 and December 31, 2000 and have issued our report thereon dated July 8, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-31104-001, 2001-31104-002 and 2001-31104-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 8, 2002.

Internal Control Over Financial Reporting

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 8, 2002

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

Noncompliance Citations

FINDING NUMBER 2001-31104-001

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The legal level of budgetary control for the Village is the level at which the Village Council adopts the original appropriation measure.

Expenditures exceeded appropriations in the following funds for 2001 and 2000:

Year Ended 2001

Fund	Total Carryover Encumbrances & Appropriations	Total Budgetary Expenditures	Unfavorable Variance
Wellfield Improvement Fund	\$0	\$85,375	(\$85,375)

Year Ended 2000

Fund	Total Carryover Encumbrances & Appropriations	Total Budgetary Expenditures	Unfavorable Variance
Water Fund	\$237,911	\$302,153	(\$64,242)
Wellfield Improvement Fund	\$0	\$88,420	(88,420)

The Village should monitor expenditures throughout the year at the budgetary level of control to ensure that they do not exceed appropriations approved by the Village Council.

FINDING NUMBER 2001-31104-002

Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenditures of another fund.

At December 31, 2001 and December 31, 2000 the fund balances in the Wellfield Improvement Fund were -\$188,066 and -\$143,551.

The Clerk/Treasurer should monitor fund balances of all funds throughout the year. Necessary transfers should be approved by Council and reported in the timely manner to avoid negative fund balances.

FINDING NUMBER 2001-31104-003

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal office must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer may issue a warrant upon completing a then and now certificate, but may authorize it to be paid without affirmation of the Village Council.

Proper certification was not obtained in 75% of the expenditures tested. Of these errors noted there was not a purchase order issued for 94% of the expenditures.

Unless the certification meets one of the two above exceptions, the Clerk/Treasurer should certify funds before the Village monies are obligated using a regular, blanket or super blanket certificate (as further permitted by ORC 5705.41(D)). This certificate should be signed by the Clerk/Treasurer.

This citation was also issued in the prior audit as a management letter.

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-31104-001	Ohio Revised Code 5705.41(B)-- Expenditures exceeding appropriations	No	Partially Corrected. This was reported as Finding Number : 2001-31104-001.
1999-31104-002	Ohio Revised Code 5705.10– Negative fund balances	No	Partially Corrected. This was repeated as Finding Number: 2001-31104-002.



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VILLAGE OF ORWELL

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2002**