

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569



Certified Public Accountants, A.C.

**VILLAGE OF ORWELL
ASHTABULA COUNTY
Regular Audit**

For the Years Ended December 31, 2014 and 2013

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Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Orwell
179 W. Main St
Orwell, OH 44076

We have reviewed the *Independent Auditor's Report* of the Village of Orwell, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 10, 2015

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VILLAGE OF ORWELL
ASHTABULA COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 21, 2015

Village of Orwell
Ashtabula County
179 W Main Street
Orwell, Ohio 44076

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Orwell**, Ashtabula County (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Orwell, Ashtabula County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$ 49,036	\$ 47,867	\$ -	\$ -	\$ 96,903
Municipal Income Tax	845,948	-	-	-	845,948
Intergovernmental	39,046	65,680	-	-	104,726
Charges for Services	-	67,193	-	-	67,193
Fines, Licenses and Permits	15,042	105	-	-	15,147
Miscellaneous	70,052	290	-	-	70,342
	<u>1,019,124</u>	<u>181,135</u>	<u>-</u>	<u>-</u>	<u>1,200,259</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	435,455	155,035	-	-	590,490
Leisure Time Activities	2,497	-	-	-	2,497
Community Environment	439	-	-	-	439
Transportation	-	128,074	-	-	128,074
General Government	428,000	-	-	-	428,000
Capital Outlay	352,575	79,213	-	-	431,788
Debt Service:					
Principal Retirement	6,996	51,703	24,400	-	83,099
Interest and Fiscal Charges	299	4,570	71,035	-	75,904
	<u>1,226,261</u>	<u>418,595</u>	<u>95,435</u>	<u>-</u>	<u>1,740,291</u>
Excess of Receipts Over (Under) Disbursements	<u>(207,137)</u>	<u>(237,460)</u>	<u>(95,435)</u>	<u>-</u>	<u>(540,032)</u>
Other Financing Receipts (Disbursements)					
Debt Proceeds	-	79,213	-	-	79,213
Transfers In	-	75,000	37,500	-	112,500
Transfers Out	(75,000)	-	-	-	(75,000)
	<u>(75,000)</u>	<u>154,213</u>	<u>37,500</u>	<u>-</u>	<u>116,713</u>
Net Change in Fund Cash Balances	(282,137)	(83,247)	(57,935)	-	(423,319)
Fund Cash Balances, January 1	412,399	172,664	175,341	26,752	787,156
Fund Cash Balances, December 31					
Restricted	-	89,418	117,406	26,752	233,576
Assigned	3,572	-	-	-	3,572
Unassigned	126,690	-	-	-	126,690
	<u>\$ 130,262</u>	<u>\$ 89,417</u>	<u>\$ 117,406</u>	<u>\$ 26,752</u>	<u>\$ 363,837</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 130,262</u>	<u>\$ 89,417</u>	<u>\$ 117,406</u>	<u>\$ 26,752</u>	<u>\$ 363,837</u>

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 802,860
Miscellaneous	<u>11,314</u>
Total Operating Cash Receipts	<u>814,174</u>
Operating Cash Disbursements:	
Personal Services	282,022
Contractual Services	139,910
Supplies and Materials	112,879
Capital Outlay	<u>5,000</u>
Total Operating Cash Disbursements	<u>539,811</u>
Operating Income	<u>274,363</u>
Non-Operating (Disbursements)	
Principal Retirement	(38,949)
Interest and Fiscal Charges	<u>(9,295)</u>
Total Non-Operating (Disbursements)	<u>(48,244)</u>
Income before Transfers	<u>226,119</u>
Transfers In	40,000
Transfers Out	<u>(77,500)</u>
Net Change in Fund Cash Balances	188,619
Fund Cash Balances, January 1	<u>1,295,260</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 1,483,879</u></u>

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

VILLAGE OF ORWELL
ASHTABULA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$ 49,518	\$ 47,407	\$ -	\$ -	\$ 96,925
Municipal Income Tax	707,769	-	-	-	707,769
Intergovernmental	27,468	126,002	-	-	153,470
Charges for Services	-	51,613	-	-	51,613
Fines, Licenses and Permits	9,010	613	-	-	9,623
Miscellaneous	23,815	50	-	-	23,865
Total Cash Receipts	<u>817,580</u>	<u>225,685</u>	<u>-</u>	<u>-</u>	<u>1,043,265</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	403,276	155,011	-	-	558,287
Public Health Services	5,661	-	-	-	5,661
Leisure Time Activities	3,089	-	-	-	3,089
Community Environment	29,035	-	-	-	29,035
Transportation	-	95,337	-	-	95,337
General Government	412,982	-	-	-	412,982
Debt Service:					
Principal Retirement	11,043	81,492	-	-	92,535
Interest and Fiscal Charges	881	17,266	-	443	18,590
Total Cash Disbursements	<u>865,967</u>	<u>349,106</u>	<u>-</u>	<u>443</u>	<u>1,215,516</u>
Excess of Receipts Over (Under) Disbursements	<u>(48,387)</u>	<u>(123,421)</u>	<u>-</u>	<u>(443)</u>	<u>(172,251)</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	120,000	22,500	-	142,500
Transfers Out	(120,000)	-	-	-	(120,000)
Total Other Financing Receipts (Disbursements)	<u>(120,000)</u>	<u>120,000</u>	<u>22,500</u>	<u>-</u>	<u>22,500</u>
Net Change in Fund Cash Balances	(168,387)	(3,421)	22,500	(443)	(149,751)
Fund Cash Balances, January 1	<u>580,786</u>	<u>176,085</u>	<u>152,841</u>	<u>27,195</u>	<u>936,907</u>
Fund Cash Balances, December 31					
Restricted	-	172,664	175,341	26,752	374,757
Unassigned	412,399	-	-	-	412,399
<i>Fund Cash Balances, December 31</i>	<u>\$ 412,399</u>	<u>\$ 172,664</u>	<u>\$ 175,341</u>	<u>\$ 26,752</u>	<u>\$ 787,156</u>

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 739,573
Miscellaneous	<u>2,442</u>
Total Operating Cash Receipts	<u>742,015</u>
Operating Cash Disbursements:	
Personal Services	219,391
Contractual Services	121,816
Supplies and Materials	90,073
Capital Outlay	<u>5,000</u>
Total Operating Cash Disbursements	<u>436,280</u>
Operating Income	<u>305,735</u>
Non-Operating (Disbursements)	
Intergovernmental	66,613
Principal Retirement	(23,300)
Interest and Fiscal Charges	<u>(43,830)</u>
Total Non-Operating (Disbursements)	<u>(517)</u>
Income before Transfers	<u>305,218</u>
Transfers In	22,500
Transfers Out	<u>(50,000)</u>
Net Change in Fund Cash Balances	277,718
Fund Cash Balances, January 1	<u>1,017,542</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 1,295,260</u></u>

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, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Orwell, Ashtabula County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations and police. The Village appropriates General Fund money to support a volunteer fire department.

The Village participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 8 to the financial statements provides additional information for these entities. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members").

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Repurchase agreements are valued at cost.

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:

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

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

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

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

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

5. Enterprise Funds

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

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

VILLAGE OF ORWELL
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Village 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 in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

VILLAGE OF ORWELL
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand Deposits	\$ 1,820,689	\$ 2,082,416
Total Deposits	1,820,689	2,082,416
Repurchase Agreement	27,027	-
Total Investments	27,027	-
Total Deposits and Investments	\$ 1,847,716	\$ 2,082,416

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 886,107	\$ 1,019,124	\$ 133,017
Special Revenue	285,662	335,348	49,686
Debt Service	37,500	37,500	-
Enterprise	739,500	854,174	114,674
Total	\$ 1,948,769	\$ 2,246,146	\$ 297,377

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,136,772	\$ 1,304,833	\$ (168,061)
Special Revenue	290,268	418,595	(128,327)
Debt Service	205,340	95,435	109,905
Capital Projects	-	-	-
Enterprise	1,758,308	665,555	1,092,753
Total	\$ 3,390,688	\$ 2,484,418	\$ 906,270

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 863,392	\$ 817,580	\$ (45,812)
Special Revenue	594,110	345,685	(248,425)
Debt Service	30,000	22,500	(7,500)
Enterprise	859,000	831,128	(27,872)
Total	\$ 2,346,502	\$ 2,016,893	\$ (329,609)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,231,002	\$ 985,967	\$ 245,035
Special Revenue	379,996	349,106	30,890
Debt Service	55,000	-	55,000
Capital Projects	27,194	443	26,751
Enterprise	1,491,779	553,410	938,369
Total	\$ 3,184,971	\$ 1,888,926	\$ 1,296,045

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$168,081; in the Street Construction, Maintenance and Repair Fund by \$71,756; and in the OPWC Grants Fund by \$80,121 for the year ended December 31, 2014.

4. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest
USDA - 2004 Ohio WWTP Bonds	\$ 1,555,300	1.90%
OWDA - Loan #2074 - Iron Removal Project	108,125	6.32%
OWDA - Loan #4326 - Industrial Park Infrastructure	2,898	3.00%
OPWC - Loan #CG02L - Breezewood/Various Road Improvements	30,000	0.00%
OPWC - Loan #CG15H - Phase II Water Main Replacement	20,925	0.00%
OPWC - Loan #CG16G - East Main Street Water Main Replacement	39,375	0.00%
OPWC - Loan #CG40O - Leffingwell Allotment Road Improvements	102,000	0.00%
OPWC - Loan #CG480 - Water Meter Upgrades	77,233	0.00%
Police Car Capital Lease	6,838	3.50%
2006 Fire Truck Capital Lease	67,300	4.89%
	\$ 2,009,994	

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. DEBT (Continued)

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

The Ohio Water Development Authority (OWDA) sewer enlargement plant loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved a loan in the amount of \$469,263 to the Village for this project. This loan was paid off in 2013.

The Ohio Public Works Commission (OPWC) Phase I and Phase II East Main Street water main replacement loans were entered into in 2006 and will be repaid in semiannual installments, interest free, over twenty years. The Breezewood loan was entered into during 2008 and will also be repaid in semiannual installments, interest free, over 20 years, collateralized by the taxing authority of Village. The Leffingwell Allotment loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Water Meter Upgrades loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years.

The Village has entered into capital lease agreements to purchase fire trucks. These leases are backed by the Village's taxing authority. In 2014, the Village entered into a lease with Key Government Finance for a police car. This is a capital lease and is scheduled to be paid off in 2015.

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

Year ending December 31:	WWTP Bonds	OWDA Loans	OPWC Loans	Capital Leases
2015	\$ 95,488	\$ 50,234	\$ 18,863	\$ 42,691
2016	95,441	50,234	18,863	35,732
2017	95,444	48,244	18,863	-
2018	95,493	-	18,863	-
2019	95,483	-	18,863	-
2020-2024	571,321	-	90,985	-
2025-2029	477,591	-	54,400	-
2030-2034	477,346	-	29,833	-
2035-2039	477,342	-	-	-
2040-2044	382,103	-	-	-
Total	<u>\$ 2,863,052</u>	<u>\$ 148,712</u>	<u>\$ 269,533</u>	<u>\$ 78,423</u>

5. LOCAL INCOME TAXES

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. 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. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For January 1, 2013 through June 30, 2014, OP&F participants contributed 10.75% of their wages. For July 1, 2014 through December 31, 2014, OP&F participants contributed 11.5% of their wages. For 2014 and 2013, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

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

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

9. CONTINGENT LIABILITIES

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



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

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

September 21, 2015

Village of Orwell
Ashtabula County
179 W Main Street
Orwell, Ohio 44076

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Village of Orwell**, Ashtabula County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 21, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 through 2014-004 described in the accompanying schedule of audit findings to be material weaknesses.

...“bringing more to the table”

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll

Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •

• Association of Certified Anti - Money Laundering Specialists •

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2014-001 and 2014-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 21, 2015.

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF ORWELL
ASHTABULA COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Material Weakness/Non-Compliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

In addition, The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system. This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. If the Council does not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2014-002

Material Weakness/Non-Compliance

Completion and Submission of Annual Financial Report

Ohio Rev. Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office.

VILLAGE OF ORWELL
ASHTABULA COUNTY

SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-002 (Continued)

Completion and Submission of Annual Financial Report (Continued)

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file the Annual Financial Report (AFR) with the Auditor of State's office for 2014 or 2013. As a result, we encountered several issues in determining line item classifications for several items. While not technically misclassified, certain receipts and disbursements were not presented for audit review under a compiled AFR presentation. To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

We recommend the Annual Financial Report be compiled from the Village's accounting system and reconciled upon completion.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2014-003

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. In addition, the Village's receipts and appropriations ledgers were not reconciled to the activity recorded in the Village's cashbook. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Board for the Board's review and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook. Disbursements should be posted to those account codes as recorded on the Board approved vouchers.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF ORWELL
ASHTABULA COUNTY

SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-004

Material Weakness

Posting Receipts, Disbursements and Classification of Fund Balances

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54.

During 2014 and 2013, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- In 2013 and 2014, Intergovernmental receipts were improperly recorded as Property Tax receipts in the General and Street Lights and Fire Levy Funds.
- In 2013, Intergovernmental receipts were improperly recorded as miscellaneous receipts in the General Fund.
- In 2013, Debt Payments and Transfers were improperly recorded as General Government Disbursements in the General Fund.
- In 2013, Debt payments in the Fire Levy Fund were improperly recorded as Transportation Disbursements and Capital Outlay.
- In 2013 Interest and Fiscal Charges and Transfers were incorrectly recorded as Principal Retirement and Supplies and Materials in the Water Fund.
- In 2014, Municipal Income Tax receipts were recorded as Transfers in the General Fund.
- In 2014, Capital Outlay, Principal Retirement, and Interest and Fiscal Charges were recorded as General Government disbursements.
- In 2014, Note Proceeds and the corresponding Capital Outlay were not properly recorded in the Issue II fund.
- In 2014, Security of Persons and Property disbursements and Interest and Fiscal Charges were improperly recorded as Principal Retirement in the Issue II Fund.
- In 2014, Principal Retirement and Interest and Fiscal Charges were not properly distributed in the Debt Service Fund.
- In 2014, Personal Services disbursements and Transfers were improperly recorded as Principal Retirement and Interest and Fiscal Charges in the Enterprise Operations Fund.
- In 2014, Assigned Fund Balance was improperly classified as Unassigned Fund Balance in the General Fund.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

VILLAGE OF ORWELL
ASHTABULA COUNTY

SCHEDULE OF AUDIT FINDINGS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING NUMBER 2014-004 (Continued)

Posting Receipts, Disbursements and Classification of Fund Balances (Continued)

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Officials' Response – Officials did not provide a response to this finding.

**VILLAGE OF ORWELL
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Inadequate Documentation	Yes	N/A
2012-02	Posting Receipts and Disbursements	No	Not Corrected, Repeated as Finding 2014-004.



Dave Yost • Auditor of State

VILLAGE OF ORWELL

MORROW 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
DECEMBER 22, 2015