



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF ORWELL
ASHTABULA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Orwell, Ashtabula County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Orwell, Ashtabula County as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

October 5, 2020

Village of Orwell, Ohio
Ashtabula County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$58,960	\$92,331	\$0	\$0	\$151,291
Municipal Income Tax	1,243,616				1,243,616
Intergovernmental	9,048	76,650			85,698
Charges for Services	9,813	52,681			62,494
Fines, Licenses and Permits	8,690				8,690
Earnings on Investments	1,320				1,320
Miscellaneous	31,248	33,708			64,956
<i>Total Cash Receipts</i>	<u>1,362,695</u>	<u>255,370</u>	<u>0</u>	<u>0</u>	<u>1,618,065</u>
Cash Disbursements					
Current:					
Security of Persons and Property	411,597	122,778			534,375
Public Health Services	10,790				10,790
Leisure Time Activities	3,046				3,046
Transportation		80,474			80,474
General Government	455,785				455,785
Capital Outlay	139,211	44,986			184,197
Debt Service:					
Principal Retirement	12,454	1,980			14,434
Interest and Fiscal Charges	1,420				1,420
<i>Total Cash Disbursements</i>	<u>1,034,303</u>	<u>250,218</u>	<u>0</u>	<u>0</u>	<u>1,284,521</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>328,392</u>	<u>5,152</u>	<u>0</u>	<u>0</u>	<u>333,544</u>
Other Financing Receipts					
Sale of Notes	77,482				77,482
Other Debt Proceeds	55,539				55,539
Transfers In		60,000		332,026	392,026
Transfers Out	(392,026)				(392,026)
<i>Total Other Financing Receipts</i>	<u>(259,005)</u>	<u>60,000</u>	<u>0</u>	<u>332,026</u>	<u>133,021</u>
<i>Net Change in Fund Cash Balances</i>	69,387	65,152	0	332,026	466,565
<i>Fund Cash Balances, January 1</i>	<u>198,959</u>	<u>185,470</u>	<u>\$21,683</u>	<u>(85,028)</u>	<u>321,084</u>
Fund Cash Balances, December 31					
Restricted		250,622	21,683	246,998	519,303
Unassigned (Deficit)	268,346				268,346
<i>Fund Cash Balances, December 31</i>	<u>\$268,346</u>	<u>\$250,622</u>	<u>\$21,683</u>	<u>\$246,998</u>	<u>\$787,649</u>

See accompanying notes to the basic financial statements

Village of Orwell, Ohio
 Ashtabula County
*Statement of Receipts, Disbursements
 and Changes in Fund Balance (Regulatory Cash Basis)
 Proprietary Fund Type
 For the Year Ended December 31, 2018*

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	731,915
Fines, Licenses and Permits	2,000
Miscellaneous	1,130
	<u>735,045</u>
<i>Total Operating Cash Receipts</i>	<u>735,045</u>
Operating Cash Disbursements	
Personal Services	256,062
Contractual Services	125,110
Supplies and Materials	35,918
	<u>417,090</u>
<i>Total Operating Cash Disbursements</i>	<u>417,090</u>
<i>Operating Income</i>	<u>317,955</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	2,706
Principal Retirement	(48,894)
Interest and Other Fiscal Charges	(66,393)
Other Financing Uses	(3,873)
	<u>(116,454)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(116,454)</u>
<i>Income before Transfers</i>	<u>201,501</u>
Transfers In	30,000
Transfers Out	(30,000)
	<u>201,501</u>
<i>Net Change in Fund Cash Balances</i>	<u>201,501</u>
<i>Fund Cash Balances, January 1</i>	<u>1,901,982</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,103,483</u></u>

See accompanying notes to the basic financial statements

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Orwell, Ashtabula 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

Public Entity Risk Pools

The Village participates in the Ohio Plan Risk Management Plan, a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

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

General Obligation Bond Fund - This fund holds cash balances which were restricted for payment of long-term bonds.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

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

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.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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.

Budgetary Process

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

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

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 approve estimated resources.

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

A summary of 2018 budgetary activity appears in Note 4.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies – (Continued)

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed - Council can *commit* amounts via formal action (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.

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.

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.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Compliance

Contrary to Ohio law the Village's appropriation ordinance was approved at the fund level instead of the fund personal services level of control.

Note 4 - Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,260,000	\$1,495,716	\$235,716
Special Revenue	254,900	315,370	60,470
Capital Projects	247,000	332,026	85,026
Enterprise	754,000	767,751	13,751
Total	\$2,515,900	\$2,910,863	\$394,963

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,300,000	\$1,426,329	(\$126,329)
Special Revenue	194,700	250,218	(55,518)
Debt Service	5,000	0	5,000
Enterprise	740,000	566,250	173,750
Fiduciary	3,000	0	3,000
Total	\$2,242,700	\$2,242,797	(\$97)

Note 5 – Deposits and Investments

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

	2018
Demand deposits	\$2,891,132

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Income Taxes

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

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

Note 7 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Risk Management – (Continued)

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

Note 8 - Defined Benefit Pension Plans

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security Village Volunteer Fire Department personnel contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt

Debt Outstanding at December 31, 2018 consisted of the following:

<u>Issuance:</u>	<u>Principal Outstanding</u>	<u>Interest Rate</u>
USDA 2004 WWTP Bonds	\$1,446,300	4.50%
OPWC Loan #CG02L- Breezewood / Various Road Improvements	18,334	0.00%
OPWC Loan #CG15H - Phase II Water Main Replacement	14,555	0.00%
OPWC Loan #CG16G – East Main Street Water Main Replacement	26,250	0.00%
OPWC Loan #CG400 – Leffingwell Allotment Road Improvements	81,000	0.00%
OPWC Loan # CF480 – Water Meter Grades	63,370	0.00%
OPWC Loan #CG06Q – Water Facility Rehabilitation	79,200	0.00%
OPWC Loan #CG15S – Penniman Road Repair	35,342	0.00%
OPWC Loan #CG37T – Park and Central Street Repairs	54,151	0.00%
Erie Bank Loan – Village Car Loan	9,782	3.32%
Erie Bank Loan – Police Cruisers Loan	<u>74,010</u>	4.60%
Total	<u>\$1,902,294</u>	

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

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

The Ohio Public Works Commission (OPWC) Phase I and Phase II East Main Street water main replacement loans were entered into in 2006 and will be repaid in semiannual installments, interest free, over 20 years. The Breezewood loan was entered into during 2008 and will also be repaid in semiannual installments, interest free, over 20 years, collateralized by the taxing authority of the Village. The Leffingwell Allotment loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over 20 years. The Water Meter Upgrades loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over 20 years. The Penniman Road Repair loan was entered into in 2017 and will be repaid in semiannual installments, interest free, over 20 years. The Park and Central Street Repairs loan was entered into in 2018 and will be repaid in semiannual installments, interest free, over 20 years.

In 2017, the Village entered into a loan with Erie Bank for the purchase of a Village Car – 2015 Chevrolet Malibu in the amount of \$15,818 at an annual interest rate of 3.32%.

In 2018, the Village entered into a loan with Erie Bank for the purchase of two Police Cruisers in the amount of \$77,482 at an annual interest rate of 4.75%.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt - (Continued)

Amortization

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

Year Ending December 31:	WWTP Bonds	OPWC Loans	Village Car Loan	Police Cruisers Loan
2019	\$95,484	\$28,351	\$3,784	\$21,831
2020	128,716	28,351	3,679	17,465
2021	0	28,351	3,025	17,465
2022	156,281	28,351		17,465
2023	95,429	28,351		8,732
2024-2028	477,471	111,865		
2029-2033	477,519	88,240		
2034-2038	477,247	30,343		
2039-2043	477,525			
2044	95,513			
Total	<u>\$2,481,185</u>	<u>\$372,203</u>	<u>\$10,488</u>	<u>\$82,958</u>

Note 11 – 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.

Village of Orwell, Ohio
Ashtabula County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$53,761	\$90,496	\$0	\$0	\$144,257
Municipal Income Tax	855,185				855,185
Intergovernmental	27,106	57,160			84,266
Charges for Services	4,690	53,180			57,870
Fines, Licenses and Permits	6,729	25			6,754
Earnings on Investments	372				372
Miscellaneous	13,085	507			13,592
<i>Total Cash Receipts</i>	<u>960,928</u>	<u>201,368</u>	<u>0</u>	<u>0</u>	<u>1,162,296</u>
Cash Disbursements					
Current:					
Security of Persons and Property	395,055	121,139			516,194
Public Health Services	10,650				10,650
Leisure Time Activities	2,836				2,836
Transportation	7,794	10,695			18,489
General Government	446,541				446,541
Capital Outlay	58,314	9,990			68,304
Debt Service:					
Principal Retirement	9,530	3,000			12,530
Interest and Fiscal Charges	340				340
<i>Total Cash Disbursements</i>	<u>931,060</u>	<u>144,824</u>	<u>0</u>	<u>0</u>	<u>1,075,884</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,868</u>	<u>56,544</u>	<u>0</u>	<u>0</u>	<u>86,412</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	15,818				15,818
Other Debt Proceeds	38,207				38,207
Transfers In			5,000		5,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>54,025</u>	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>59,025</u>
<i>Net Change in Fund Cash Balances</i>	83,893	56,544	5,000	0	145,437
<i>Fund Cash Balances, January 1</i>	<u>115,066</u>	<u>128,926</u>	<u>\$16,683</u>	<u>(85,028)</u>	<u>175,647</u>
Fund Cash Balances, December 31					
Restricted		185,470	21,683		207,153
Assigned	45,588				45,588
Unassigned (Deficit)	153,371			(85,028)	68,343
<i>Fund Cash Balances, December 31</i>	<u>\$198,959</u>	<u>\$185,470</u>	<u>\$21,683</u>	<u>(\$85,028)</u>	<u>\$321,084</u>

See accompanying notes to the basic financial statements

Village of Orwell, Ohio
Ashtabula County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Proprietary Type
For the Year Ended December 31, 2017

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$725,857
Fines, Licenses and Permits	5,180
Miscellaneous	2,805
	733,842
<i>Total Operating Cash Receipts</i>	<i>733,842</i>
Operating Cash Disbursements	
Personal Services	274,874
Transportation	350
Contractual Services	127,405
Supplies and Materials	39,850
	442,479
<i>Total Operating Cash Disbursements</i>	<i>442,479</i>
<i>Operating Income</i>	<i>291,363</i>
Non-Operating Disbursements	
Intergovernmental	246
Miscellaneous Receipts	3,830
Principal Retirement	(64,818)
Interest and Other Fiscal Charges	(68,552)
Other Financing Sources	4,794
Other Financing Uses	(3,297)
	(127,797)
<i>Total Non-Operating Disbursements</i>	<i>(127,797)</i>
<i>Income before Transfers</i>	<i>163,566</i>
Transfers In	15,000
Transfers Out	(20,000)
	158,566
<i>Net Change in Fund Cash Balances</i>	<i>158,566</i>
<i>Fund Cash Balances, January 1</i>	<i>1,743,416</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,901,982</i>

See accompanying notes to the basic financial statements

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Orwell, Ashtabula 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

Public Entity Risk Pools

The Village participates in the Ohio Plan Risk Management Plan, a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

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

General Obligation Bond Fund - This fund holds cash balances which were restricted for payment of long-term bonds.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

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

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.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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.

Budgetary Process

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

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

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 approve estimated resources.

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

A summary of 2017 budgetary activity appears in Note 4.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed - Council can *commit* amounts via formal action (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.

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.

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.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Compliance

Contrary to Ohio law the Village's appropriation ordinance was approved at the fund level instead of the fund personal services level of control.

Note 4 - Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$905,768	\$1,014,953	\$109,185
Special Revenue	187,952	201,368	13,416
Capital Projects	15,000	5,000	(10,000)
Enterprise	719,000	757,712	38,712
Total	\$1,827,720	\$1,979,033	\$151,313

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$903,018	\$936,648	(\$33,630)
Special Revenue	180,500	144,824	35,676
Enterprise	701,700	599,146	102,554
Total	\$1,785,218	\$1,680,618	\$104,600

Note 5 – Deposits and Investments

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

	2017
Demand deposits	\$2,223,066

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Income Taxes

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

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

Note 7 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Risk Management – (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Note 8 - Defined Benefit Pension Plans

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security Village Volunteer Fire Department personnel contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt Outstanding at December 31, 2017 consisted of the following:

<u>Issuance:</u>	<u>Principal Outstanding</u>	<u>Interest Rate</u>
USDA 2004 WWTP Bonds	\$1,475,400	4.50%
OPWC Loan #CG02L- Breezewood / Various Road Improvements	21,667	0.00%
OPWC Loan #CG15H = Phase II Water Main Replacement	16,375	0.00%
OPWC Loan #CG16G – East Main Street Water Main Replacement	30,000	0.00%
OPWC Loan #CG400 – Leffingwell Allotment Road Improvements	87,000	0.00%
OPWC Loan #CF480 – Water Meter Grades	67,331	0.00%
OPWC Loan #CG06Q – Water Facility Rehabilitation	84,000	0.00%
OPWC Loan #CG15S – Penniman Road Repair	37,272	0.00%
Erie Bank Loan – Village Car Loan	13,576	3.32%
Total	<u>\$1,832,601</u>	

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

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

The Ohio Public Works Commission (OPWC) Phase I and Phase II East Main Street water main replacement loans were entered into in 2006 and will be repaid in semiannual installments, interest free, over 20 years. The Breezewood loan was entered into during 2008 and will also be repaid in semiannual installments, interest free, over 20 years, collateralized by the taxing authority of the Village. The Leffingwell Allotment loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over 20 years. The Water Meter Upgrades loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over 20 years. The Penniman Road Repair loan was entered into in 2017 and will be repaid in semiannual installments, interest free, over 20 years.

In 2017, the Village entered into a loan with Erie Bank for the purchase of a Village Car – 2015 Chevrolet Malibu in the amount of \$15,818 at an annual interest rate of 3.32%.

Village of Orwell, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt - (Continued)

Amortization

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

Year Ending December 31:	WWTP Bonds	OPWC Loans	Village Car Loan
2018	95,493	25,574	2,581
2019	95,484	25,574	3,442
2020	128,716	25,574	3,442
2021	0	25,574	3,442
2022	156,281	25,574	1,721
2023-2027	477,395	105,215	
2028-2032	477,547	82,020	
2033-2037	477,198	28,522	
2038-2042	477,500		
2043-2044	191,064		
Total	<u>\$2,576,678</u>	<u>\$343,627</u>	<u>\$14,628</u>

Note 11 – 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.

OHIO AUDITOR OF STATE KEITH FABER



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NortheastRegion@ohioauditor.gov

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Orwell, Ashtabula County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

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

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

October 5, 2020

VILLAGE OF ORWELL
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

Bank Reconciliations

FINDING NUMBER 2018-001

MATERIAL WEAKNESS

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

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

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

The December 31, 2018 and 2017 bank reconciliations indicated the Village's cash fund balances exceeded its bank balances by a difference of \$7,358 and \$18,945, respectively. These differences were due to the Village's bank reconciliations not including two Village held bank accounts (Payroll, Water Department) in 2018 and did not include three Village held bank accounts (Payroll, Water Department and Volunteer Fire Department) in 2017. Management was unable to provide a listing of individual reconciling items for these three accounts listed.

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

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

Officials' Response: While the Village recognizes the findings within, Management is committed to embracing the Auditors recommendations in a way that moves us forward in a compliant manner.

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Village of Orwell

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Bank Reconciliations	Not Corrected	Repeated as Finding 2018-001
2016-002	Financial Statement Adjustments	Partially Corrected	Repeated as Management Letter Comment
2016-003	Finding for Recovery IRS Interest and Penalties	Fully Corrected	Repaid during 2018

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ORWELL

ASHTABULA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/5/2020

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

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