



**VILLAGE OF ORWELL  
ASHTABULA COUNTY**

**REGULAR AUDIT  
FOR THE YEARS ENDED  
DECEMBER 31, 2008 & 2007**





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Orwell  
179 West Main Street  
P. O. Box 56  
Orwell, Ohio 44076

We have reviewed the *Independent Accountants' Report* of the Village of Orwell, Ashtabula County, prepared by Canter and Company, for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 11, 2009

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**Village of Orwell**  
*Ashtabula County*

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## INDEPENDENT ACCOUNTANTS' REPORT

Village of Orwell  
Ashtabula County  
179 West Main Street  
P.O. Box 56  
Orwell, Ohio 44084

To the Members of Council:

We have audited the accompanying financial statements of the Village of Orwell, Ashtabula County, (the Village) as of and for the years ended December 31, 2007 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2007 and 2008. Instead of the combined funds the accompanying financial statements present for 2007 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2008. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements.

The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2007 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2008, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Orwell, Ashtabula County, as of December 31, 2007 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2008. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2009 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



CANTER & COMPANY

May 4, 2009

**VILLAGE OF ORWELL  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$87,857	\$107,088	\$0	\$0	\$194,945
Municipal Income Tax	871,302	136,065	0	0	1,007,367
Intergovernmental Receipts	73,663	94,534	0	349,919	518,116
Charges for Services	30,556	0	0	0	30,556
Fines, Licenses, and Permits	8,592	500	0	0	9,092
Earnings on Investments	45,258	2,889	0	0	48,147
Miscellaneous	7,524	750	0	0	8,274
<b>Total Cash Receipts</b>	<b>1,124,752</b>	<b>341,826</b>	<b>0</b>	<b>349,919</b>	<b>1,816,497</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	439,757	67,312	0	0	507,069
Public Health Services	16,179	0	0	0	16,179
Leisure Time Activities	27,052	0	0	0	27,052
Community Environment	2,132	0	0	0	2,132
Transportation	938	112,275	0	0	113,213
General Government	404,469	0	0	0	404,469
Debt Service:					
Principal Payments	97,354	46,870	0	0	144,224
Interest Payments	2,154	14,872	0	0	17,026
Capital Outlay	0	13,032	0	2,733	15,765
<b>Total Cash Disbursements</b>	<b>990,035</b>	<b>254,361</b>	<b>0</b>	<b>2,733</b>	<b>1,247,129</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>134,717</b>	<b>87,465</b>	<b>0</b>	<b>347,186</b>	<b>569,368</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds of Notes	45,000	0	0	0	45,000
Transfers-In	0	350,591	30,000	0	380,591
Transfers-Out	0	0	0	(350,591)	(350,591)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>45,000</b>	<b>350,591</b>	<b>30,000</b>	<b>(350,591)</b>	<b>75,000</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>179,717</b>	<b>438,056</b>	<b>30,000</b>	<b>(3,405)</b>	<b>644,368</b>
<b>Fund Cash Balances, January 1</b>	<b>382,608</b>	<b>(185,415)</b>	<b>82,190</b>	<b>8,259</b>	<b>287,642</b>
<b>Fund Cash Balances, December 31</b>	<b>\$562,325</b>	<b>\$252,641</b>	<b>\$112,190</b>	<b>\$4,854</b>	<b>\$932,010</b>
<b>Reserved for Encumbrances, December 31</b>	<b>\$42,067</b>	<b>\$4,636</b>	<b>\$0</b>	<b>\$0</b>	<b>\$46,703</b>

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



**VILLAGE OF ORWELL  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$863,147	\$0	\$863,147
<b>Operating Cash Disbursements:</b>			
Personal Services	222,178	0	222,178
Contractual Services	173,156	21,424	194,580
Supplies and Materials	67,409	0	67,409
Total Operating Cash Disbursements	462,743	21,424	484,167
Operating Income/(Loss)	400,404	(21,424)	378,980
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	0	21,424	21,424
Other Non-Operating Receipts	46,452	0	46,452
Total Non-Operating Cash Receipts	46,452	21,424	67,876
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal	146,574	0	146,574
Interest	116,626	0	116,626
Total Non-Operating Cash Disbursements	263,200	0	263,200
Excess of Receipts Over/(Under) Disbursements and Before Interfund Transfers	183,656	0	183,656
Transfers-In	30,000	0	30,000
Transfers-Out	(60,000)	0	(60,000)
Net Receipts Over/(Under) Disbursements	153,656	0	153,656
Fund Cash Balances, January 1	567,148	0	567,148
<b>Fund Cash Balances, December 31</b>	<b>\$720,804</b>	<b>\$0</b>	<b>\$720,804</b>
Reserved for Encumbrances, December 31	\$34,303	\$0	\$34,303

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

**VILLAGE OF ORWELL  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$57,479	\$67,070	\$0	\$0	\$124,549
Municipal Income Tax	752,781	132,844	0	0	885,625
Intergovernmental Receipts	94,886	112,220	0	51,026	258,132
Charges for Services	47,959	0	0	0	47,959
Fines, Licenses, and Permits	7,118	620	0	0	7,738
Earnings on Investments	18,400	1,175	0	0	19,575
Miscellaneous	5,425	0	0	0	5,425
<b>Total Cash Receipts</b>	<b>984,048</b>	<b>313,929</b>	<b>0</b>	<b>51,026</b>	<b>1,349,003</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	456,170	108,723	0	0	564,893
Public Health Services	14,830	0	0	0	14,830
Leisure Time Activities	6,662	0	0	0	6,662
Community Environment	3,565	0	0	0	3,565
Transportation	2,032	128,456	0	0	130,488
General Government	554,972	0	0	0	554,972
Debt Service:					
Principal Payments	52,408	49,191	0	0	101,599
Interest Payments	902	14,305	0	0	15,207
Capital Outlay	0	0	0	116,960	116,960
<b>Total Cash Disbursements</b>	<b>1,091,541</b>	<b>300,675</b>	<b>0</b>	<b>116,960</b>	<b>1,509,176</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(107,493)</b>	<b>13,254</b>	<b>0</b>	<b>(65,934)</b>	<b>(160,173)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds of OPWC Loans	0	0	0	50,000	50,000
Transfers-In	9,165	0	30,000	48,955	88,120
Transfers-Out	(48,955)	(9,165)	0	0	(58,120)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(39,790)</b>	<b>(9,165)</b>	<b>30,000</b>	<b>98,955</b>	<b>80,000</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(147,283)</b>	<b>4,089</b>	<b>30,000</b>	<b>33,021</b>	<b>(80,173)</b>
<b>Fund Cash Balances, January 1</b>	<b>562,325</b>	<b>252,641</b>	<b>112,190</b>	<b>4,854</b>	<b>932,010</b>
<b>Fund Cash Balances, December 31</b>	<b>\$415,042</b>	<b>\$256,730</b>	<b>\$142,190</b>	<b>\$37,875</b>	<b>\$851,837</b>
<b>Reserved for Encumbrances, December 31</b>	<b>\$567</b>	<b>\$1,677</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,244</b>

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

**VILLAGE OF ORWELL  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$813,507	\$0	\$813,507
<b>Operating Cash Disbursements:</b>			
Personal Services	236,348	0	236,348
Contractual Services	156,867	17,561	174,428
Supplies and Materials	254,032	0	254,032
Total Operating Cash Disbursements	647,247	17,561	664,808
Operating Income/(Loss)	166,260	(17,561)	148,699
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	0	17,561	17,561
Other Non-Operating Receipts	21,764	0	21,764
Total Non-Operating Cash Receipts	21,764	17,561	39,325
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal	161,589	0	161,589
Interest	109,662	0	109,662
Total Non-Operating Cash Disbursements	271,251	0	271,251
Excess of Receipts Over/(Under) Disbursements and Before Interfund Transfers	(83,227)	0	(83,227)
Transfers-In	30,000	0	30,000
Transfers-Out	(60,000)	0	(60,000)
Net Receipts Over/(Under) Disbursements	(113,227)	0	(113,227)
Fund Cash Balances, January 1	720,804	0	720,804
<b>Fund Cash Balances, December 31</b>	<b>\$607,577</b>	<b>\$0</b>	<b>\$607,577</b>
Reserved for Encumbrances, December 31	\$45,422	\$0	\$45,422

*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, 2008 and December 31, 2007

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**NOTE 1 – DESCRIPTION OF THE ENTITY**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Village's accounting policies are described below.

**A. Basis of Accounting**

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

These statements adequately disclose material matters the Auditor of State prescribes.

**B. Cash and Investments**

Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

Repurchase agreements are valued at cost.

**C. 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:

***General Fund***

The General Fund is the general operating fund and is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

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***Special Revenue Funds***

Special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes. The Village had the following significant Special Revenue Funds:

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

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

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

***Debt Service Funds***

These funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. According to the government accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For the purpose of this report, these funds have been classified into the proper groups if practical. The Village had the following significant debt service fund:

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

***Capital Projects Funds***

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The Village had the following significant capital projects funds:

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

*USDA Grant Fund* – This fund receives proceeds from a Federal grant to be used for sewer plant expansion.

**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

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***Enterprise Funds***

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Village had the following significant enterprise funds:

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

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

***Agency Funds***

Agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Village had the following significant agency fund:

*Income Tax Fund* – This fund accounts for receipts and disbursements related to the Village's local income tax.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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.

All funds, other than agency funds, are legally required to be budgeted and appropriated.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

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***Tax Budget***

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Village filed tax budgets with the Ashtabula County Auditor in 2008 and 2007.

***Estimated Resources***

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the County Budget Commission find the revised estimates to be reasonable.

Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown in Note 4 do not include January 1, 2008 or January 1, 2007 unencumbered fund balances; however, those fund balances are available for appropriations.

***Appropriations***

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

***Encumbrances***

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be re-appropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 4.

**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

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**E. Property, Plant and Equipment**

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Village.

**F. Intergovernmental Revenues**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting described in Note 2.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$787,343	\$287,953
Investments - Repurchase Agreements	672,071	1,364,861
Total Deposits and Investments	<u>\$1,459,414</u>	<u>\$1,652,814</u>

**Deposits** – Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) 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.



**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

**NOTE 4 - BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2008 and December 31, 2007 follows:

2008 Budgeted vs. Actual Receipts				2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Receipts	Actual Receipts	Variance	Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$722,500	\$993,213	\$270,713	General	\$1,326,891	\$1,141,063	\$185,828
Special Revenue	263,449	313,929	50,480	Special Revenue	520,727	311,517	209,210
Debt Service	30,000	30,000	0	Debt Service	142,189	0	142,189
Capital Projects	149,981	149,981	0	Capital Projects	153,936	116,960	36,976
Enterprise	871,000	865,271	(5,729)	Enterprise	1,626,108	1,023,920	602,188
Fiduciary	17,561	17,561	0	Fiduciary	903,186	17,561	885,625
<b>Total</b>	<b>\$2,054,491</b>	<b>\$2,369,955</b>	<b>\$315,464</b>	<b>Total</b>	<b>\$4,673,037</b>	<b>\$2,611,021</b>	<b>\$2,062,016</b>

Ohio Revised Code Section 5705.41(B) prohibits expenditures to be made unless they have been properly appropriated. During 2008, the Village had one fund where expenditures exceeded appropriations.

Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. During 2008, two funds of the Village had negative fund balances indicating monies from other funds were used to cover the expenditures of these funds.

2007 Budgeted vs. Actual Receipts				2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Receipts	Actual Receipts	Variance	Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,000,000	\$1,169,752	\$169,752	General	\$1,221,286	\$1,032,102	\$189,184
Special Revenue	655,091	692,417	37,326	Special Revenue	421,355	258,997	162,358
Debt Service	25,000	30,000	5,000	Debt Service	117,844	0	117,844
Capital Projects	349,919	349,919	0	Capital Projects	382,933	353,324	29,609
Enterprise	875,000	939,599	64,599	Enterprise	1,435,149	820,246	614,903
Fiduciary	21,424	21,424	0	Fiduciary	800,000	21,424	778,576
<b>Total</b>	<b>\$2,926,434</b>	<b>\$3,203,111</b>	<b>\$276,677</b>	<b>Total</b>	<b>\$4,378,567</b>	<b>\$2,486,093</b>	<b>\$1,892,474</b>

Ohio Revised Code Section 5705.41(B) prohibits expenditures to be made unless they have been properly appropriated. During 2007, the Village had one fund where expenditures exceeded appropriations.

Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. During 2007, two funds of the Village had negative fund balances indicating monies from other funds were used to cover the expenditures of these funds.

**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

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**NOTE 5 - PROPERTY TAX**

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

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

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

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

**NOTE 6 - LOCAL INCOME TAX**

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 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 has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the Village did not significantly reduce their limits of liability during the year.

**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

**NOTE 8 - DEBT**

Debt outstanding at December 31, 2008 and December 31, 2007 was as follows:

Issue	Interest Rate	Principal Outstanding December 31, 2008	Principal Outstanding December 31, 2007
<b>General Obligation Bonds:</b>			
1999 Waterworks G.O. Bonds	5.00-5.15%	\$0	\$80,000
2004 Ohio WWTP Improvement G.O. Bonds	1.90%	1,686,700	1,705,500
<b>General Obligation Notes:</b>			
2007 General Obligation Bond Anticipation	5.00%	0	45,000
<b>Ohio Water Development Authority Loans:</b>			
Sewer Plant Enlargement	7.54%	101,417	137,240
Iron Removal Project	6.32%	309,720	336,686
Industrial Park Infrastructure	3.00%	13,280	14,837
<b>Ohio Public Works Commission Loans:</b>			
East Main Street Water Main Replacement	0.00%	63,750	67,500
Phase II Water Main Replacement	0.00%	31,841	33,661
Breezewood/Various Road Improvements	0.00%	50,000	0
<b>Capital Leases:</b>			
Ohio Rail Development Commission	0.00%	1,875	2,156
2006 Fire Truck	4.89%	234,262	257,683
2006 SCMR Trucks	4.85%	27,049	52,819
Total		\$2,519,894	\$2,733,082

The 1999 general obligation waterworks bonds were issued in 1998 for the purpose of improving the waterworks system of the Village. The general obligation bonds are collateralized by the Village water receipts and collections from user fees from the Kennametal Corporation.

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 2007 general obligation bond anticipation note was issued in anticipation of bonds for the purpose of resurfacing streets within the Village. The note is collateralized by the Village's taxing authority.

**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

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. The loan will be repaid in semiannual installments including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service 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 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.

The Village has entered into capital lease agreements to purchase fire trucks, street vehicles and also to access railroad pipe line crossings with the Ohio Rail Development Commission. These leases are backed by the Village's taxing authority.

Remaining principal and interest payments of all outstanding obligations at December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008							Totals
	General Obligation Bonds		OWDA Loans		OPWC Loans	Capital Leases		
	Principal	Interest	Principal	Interest	Principal	Principal	Interest	
2009	\$19,500	\$75,902	\$68,798	\$27,607	\$7,237	\$51,918	\$11,865	\$262,827
2010	20,500	75,024	73,562	22,841	8,903	26,094	9,936	236,860
2011	21,400	74,102	55,573	17,747	8,903	27,378	8,660	213,763
2012	22,300	73,139	36,208	14,025	8,903	28,728	7,321	190,624
2013	23,300	72,135	38,441	11,794	8,903	30,142	5,916	190,631
2014-2018	133,400	343,954	151,835	21,996	44,517	98,926	8,601	803,229
2019-2023	166,300	309,610	0	0	44,517	0	0	520,427
2024-2028	207,300	270,172	0	0	13,708	0	0	491,180
2029-2033	258,400	219,119	0	0	0	0	0	477,519
2034-2038	321,700	155,547	0	0	0	0	0	477,247
2039-2043	401,200	76,326	0	0	0	0	0	477,526
2044	91,400	4,113	0	0	0	0	0	95,513
<b>Total</b>	<b>\$1,686,700</b>	<b>\$1,749,143</b>	<b>\$424,417</b>	<b>\$116,010</b>	<b>\$145,591</b>	<b>\$263,186</b>	<b>\$52,299</b>	<b>\$4,437,346</b>

**Village of Orwell**  
Ashtabula County  
Notes to the Financial Statements  
December 31, 2008 and December 31, 2007

December 31, 2007								
	General Obligation Bonds and Notes		OWDA Loans		OPWC Loans	Capital Leases		Totals
	Principal	Interest	Principal	Interest	Principal	Principal	Interest	
2008	\$143,800	\$80,926	\$64,345	\$32,060	\$5,570	\$49,472	\$14,305	\$390,478
2009	19,500	75,902	68,798	27,607	5,570	51,918	11,865	261,160
2010	20,500	75,024	73,562	22,841	5,570	26,094	9,936	233,527
2011	21,400	74,102	55,573	17,747	5,570	27,378	8,660	210,430
2012	22,300	73,139	36,208	14,025	5,570	28,728	7,321	187,291
2013-2017	127,600	349,695	190,277	33,790	27,850	129,068	14,517	872,797
2018-2022	159,200	316,774	0	0	27,850	0	0	503,824
2023-2027	198,300	279,097	0	0	17,611	0	0	495,008
2028-2032	247,300	230,247	0	0	0	0	0	477,547
2033-2037	307,800	169,398	0	0	0	0	0	477,198
2038-2042	383,900	93,601	0	0	0	0	0	477,501
2043-2044	178,900	12,164	0	0	0	0	0	191,064
<b>Total</b>	<b>\$1,830,500</b>	<b>\$1,830,069</b>	<b>\$488,763</b>	<b>\$148,070</b>	<b>\$101,161</b>	<b>\$312,658</b>	<b>\$66,604</b>	<b>\$4,777,825</b>

**NOTE 9 - RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, OP&F participants contributed 3.5 percent of their wages and the Village had a "pickup" of 6.5 percent of the participant wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 10.0 percent and 9.5 percent of their gross wages in 2008 and 2007, respectively. The Village contributed an amount equal to 14.0 percent and 13.85 percent of the participant's gross salaries in 2008 and 2007, respectively. The Village has paid all required contributions through December 31, 2008.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Village of Orwell  
Ashtabula County  
179 West Main Street  
P.O. Box 56  
Orwell, Ohio 44084

We have audited the financial statements of the Village of Orwell, (the Village) as of and for the years ended December 31, 2007 and 2008, and have issued our report thereon dated May 4, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in finding 2007-003 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Village of Orwell  
Ashtabula County  
Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing  
Standards*  
Page 2

In a separate letter to the Village's management dated May 4, 2009, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standard* which are described in the accompanying schedule of findings as items 2007-001, 2007-002, 2008-001 and 2008-002.

We also noted certain immaterial matters that we reported to management of the Village, in a separate letter dated May 4, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Canter & Company

Youngstown, Ohio

May 4, 2009

**VILLAGE OF ORWELL  
ASHTABULA COUNTY  
DECEMBER 31, 2007**

**SCHEDULE OF FINDINGS**

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

**Finding # 2007-001**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated. The legal level of budgetary control for the Village is the level at which the Village Council adopts the original appropriation measure. For the Village of Orwell the legal level of control is at the fund/function/object level.

Expenditures exceeded appropriations in the following fund as of December 31, 2007:

Fund	Total Carryover Encumbrances & Appropriations	Total Budgetary Expenditures & Encumbrances	Unfavorable Variance
Wellfield Improvement Fund	(\$344,019)	\$75,836	(\$419,855)

The Village Council should monitor expenditures throughout the year at the budgetary level of control, and if necessary, make amendments to them, in order to ensure that they do not exceed appropriations that have been approved. All funds should have a Certificate of Amended Resources passed by the Budget Commission and corresponding appropriations made before any expenditure is approved for payment.

**Management response:**

The Clerk will monitor more closely, and if necessary, consult with outside counsel to ensure proper budgeting for this fund going forward.



**Finding #2007-002**

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

At December 31, 2007, the fund balances in the EDA Fund and the Wellfield Improvement Fund were (\$50,081) and (\$418,996), respectively, indicating the Village used monies from other funds to pay the obligations of these funds, which is a violation of this Section.

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

**Management response:**

Management plans to monitor more closely all budgeted and actual cash receipts and disbursements of the EDA fund to ensure it does not run negative again. This negative balance was corrected by the end of 2008.

An analysis of the Wellfield Improvement fund was done and it was determined that the Village never passed a levy to pay its share of the general obligation Wellfield improvement bonds. The Village plans to make annual transfers over 10 years from the water fund to the Wellfield fund until this negative balance is gone.

**Finding #2007-003**

**Significant Deficiency**

During 2007, the Village recorded a note rollover at net instead of gross. A \$90,000 bond anticipation note was rolled and re-issued for \$45,000 during 2007 and should have been accounted for as a debt payment and a subsequent debt proceed. The audited financial statements reflect this adjustment.

We recommend that all debt activity of the Village be posted to the accounting records.

**Management response:**

All future debt proceeds will be posted at gross rather than net, and if questions arise, the Village will consult with outside counsel to ensure proper accounting.

**VILLAGE OF ORWELL  
ASHTABULA COUNTY  
DECEMBER 31, 2008**

**SCHEDULE OF FINDINGS**

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

**Finding # 2008-001**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated. The legal level of budgetary control for the Village is the level at which the Village Council adopts the original appropriation measure. For the Village of Orwell the legal level of control is at the fund/function/object level.

Expenditures exceeded appropriations in the following fund as of December 31, 2008:

Fund	Total Carryover Encumbrances & Appropriations	Total Budgetary Expenditures & Encumbrances	Unfavorable Variance
Wellfield Improvement Fund	(\$378,996)	\$82,030	(\$461,026)

The Village Council should monitor expenditures throughout the year at the budgetary level of control, and if necessary, make amendments to them, in order to ensure that they do not exceed appropriations that have been approved. All funds should have a Certificate of Amended Resources passed by the Budget Commission and corresponding appropriations made before any expenditure is approved for payment.

**Management response:**

The Clerk will monitor more closely, and if necessary, consult with outside counsel to ensure proper budgeting for this fund going forward.

**Finding #2008-002**

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

At December 31, 2008, the fund balance in the Fire Levy Fund and the Wellfield Improvement Fund was (\$25,601) and (\$480,596), respectively, indicating the Village used monies from other funds to pay the obligations of these funds, which is a violation of this Section.

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

**Management response:**

Management plans to monitor more closely all budgeted and actual cash receipts and disbursements of the fire levy fund to ensure it does not run negative again.

An analysis of the Wellfield Improvement fund was done and it was determined that the Village never passed a levy to pay its share of the general obligation Wellfield improvement bonds. The Village plans to make annual transfers over 10 years from the water fund to the Wellfield fund until this negative balance is gone.

**VILLAGE OF ORWELL  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2006-001	Ohio Revised Code Section 5705.41(B)	No	Partially Corrected Reported As Finding 2007-001 and 2008-001
2006-002	Ohio Revised Code Section 5705.10	No	Partially Corrected Reported As Finding 2007-002 and 2008-002
2006-003	Ohio Revised Code Section 5705.41(D)	Yes	Fully Corrected



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF ORWELL**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 25, 2009**