

***VILLAGE OF ORWELL***

***ASHTABULA COUNTY***

Regular Audit

For the Years Ended December 31, 2022 and 2021







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Village Council  
Village of Orwell  
179 West Main St  
Orwell, OH 44076

We have reviewed the *Independent Auditor's Report* of the Village of Orwell, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

October 05, 2023

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*Village of Orwell  
Ashtabula County  
For the Years Ended December 31, 2021 and 2022*

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**INDEPENDENT AUDITOR'S REPORT**

Village of Orwell  
Ashtabula County  
179 West Main St  
P.O. Box 56  
Orwell, OH 44076

To the Village Council:

***Report on the Audit of the Financial Statements***

***Unmodified and Adverse Opinions***

We have audited the financial statements of the Village of Orwell, Ashtabula County, Ohio (the Village), which comprise the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

***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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended.

***Basis for Opinions***

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

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Emphasis of Matter***

As discussed in Note 11 to the 2021 and 2022 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2023, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



*Charles E. Harris & Associates, Inc.*  
August 1, 2023

**Village of Orwell**  
**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, 2022*

	<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 and Other Local Taxes	\$ 64,455	\$ 96,642	\$ -	\$ -	\$ 161,097
Municipal Income Tax	1,497,358	931	-	-	1,498,289
Intergovernmental	19,679	214,039	-	-	233,718
Charges for Services	6,095	55,978	-	-	62,073
Fines, Licenses and Permits	8,405	-	-	-	8,405
Earnings on Investments	16,425	1,979	-	-	18,404
Miscellaneous	5,599	4,047	-	-	9,646
<i>Total Cash Receipts</i>	1,618,016	373,616	-	-	1,991,632
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	394,890	123,138	-	-	518,028
Public Health Services	12,719	-	-	-	12,719
Leisure Time Activities	2,070	-	-	-	2,070
Transportation	-	110,713	-	-	110,713
General Government	393,778	-	-	-	393,778
Capital Outlay	5,566	12,526	-	132,734	150,826
Debt Service:					
Principal Retirement	66,740	10,171	-	80,370	157,281
Interest and Fiscal Charges	6,353	986	-	7,045	14,384
<i>Total Cash Disbursements</i>	882,116	257,534	-	220,149	1,359,799
<i>Excess of Receipts Over (Under) Disbursements</i>	735,900	116,082	-	(220,149)	631,833
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	30,000	-	317,612	347,612
Transfers Out	(347,612)	-	-	-	(347,612)
<i>Total Other Financing Receipts (Disbursements)</i>	(347,612)	30,000	-	317,612	-
<i>Net Change in Fund Cash Balances</i>	388,288	146,082	-	97,463	631,833
<i>Fund Cash Balances, January 1</i>	1,240,018	459,796	56,683	631,248	2,387,745
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,628,306</u>	<u>\$ 605,878</u>	<u>\$ 56,683</u>	<u>\$ 728,711</u>	<u>\$ 3,019,578</u>

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

**Village of Orwell**  
**Ashtabula County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2022*

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 826,518
Fines, Licenses and Permits	2,000
Miscellaneous	11,961
	840,479
<i>Total Operating Cash Receipts</i>	<i>840,479</i>
<b>Operating Cash Disbursements</b>	
Personal Services	232,592
Contractual Services	336,928
Supplies and Materials	45,341
	614,861
<i>Total Operating Cash Disbursements</i>	<i>614,861</i>
<i>Operating Income (Loss)</i>	<i>225,618</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous	4,035
Capital Outlay	(60,428)
Redemption of Principal	(1,475,593)
Interest and Other Fiscal Charges	(54,367)
Proceeds of Loans	1,405,267
Other Financing Uses	(18,231)
	(199,317)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(199,317)</i>
<i>Net Change in Fund Cash Balances</i>	<i>26,301</i>
<i>Fund Cash Balances, January 1</i>	<i>2,747,221</i>
	<i>2,747,221</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,773,522</i>
	<i>\$ 2,773,522</i>

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

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 1 – Reporting Entity**

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

The Village participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 6 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 combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types, 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.

***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, 2022*

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**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 funds:

**Fire Truck Fund** This fund receipts transfers from the general fund for the purchase of a fire truck.

**Street Department Vehicle Fund** This fund receipts transfers from the general fund for the purchase of street vehicles.

**Infrastructure Fund** This fund receipts transfer money in from the general fund for the purpose of infrastructure improvements.

**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** The water fund receives charges for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

***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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 (C) 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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and re-appropriated in the subsequent year.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

A summary of 2022 budgetary activity appears in Note 3.

***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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village.

***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 (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

***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.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**Note 2 – Summary of Significant Accounting Policies (continued)**

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,641,500	\$ 1,618,016	\$ (23,484)
Special Revenue	402,653	403,616	963
Debt Service	-	-	-
Capital Projects	277,000	317,612	40,612
Enterprise	773,000	2,249,781	1,476,781

2022 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,530,693	\$ 1,229,728	\$ 300,965
Special Revenue	444,224	257,534	186,690
Debt Service	-	-	-
Capital Projects	236,450	220,149	16,301
Enterprise	2,500,913	2,223,480	277,433

**Compliance**

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not make the proper certification of funds for 29% of tested disbursements.

**Note 4 – Deposits**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has segregated account which includes a clearing account that is not part of this pool.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 4 – Deposits (continued)**

A summary of the Village’s deposit accounts are as follows:

	<u>2022</u>
<b><i>Cash Management Pool:</i></b>	
Demand deposits	\$5,793,100
<b><i>Segregated Accounts - Not held in the Pool:</i></b>	
Payroll Clearing Account (Not held in the Pool)	24,083

The Village has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll. The balance in the Village’s payroll clearing account represents unremitted employee payroll withholdings and liabilities.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 1.5% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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



**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 6 – 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.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021 (latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most 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% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

***Ohio Police and Fire Retirement System***

The 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.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 7 – Defined Benefit Pension Plans (continued)**

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, 2022.

***Social Security***

Eight Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

**Note 8 – 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% during calendar year 2022. OP&F contributed 0.5% to fund these benefits.

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

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**Note 9 – Debt**

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
OPWC Loan CG02L - Breezewood Lane, Mist Avenue	\$ 3,333	0.00%
OPWC Loan CG48O - Water Meter Upgrade	45,547	0.00%
OPWC Loan CG40O - Leffingwell Allotment Road Improvement	54,000	0.00%
OPWC Loan CG37T - Parks and Central Street Repairs	41,654	0.00%
OPWC Loan CG16U - WWTP Headworks Improvements	37,310	0.00%
OPWC Loan CG16S - Penniman Road Repair	26,744	0.00%
OPWC Loan CG16G - East Main Street Watermain Replacement	9,375	0.00%
OPWC Loan CG06Q - Water Facility Rehabilitation	57,600	0.00%
OPWC Loan CG15H - Water Main Replacement Phase II	6,369	0.00%
OWDA Loan 9881 - Refinance Wastewater Treatment Plant Mortgage Revenue Bond	590,755	2.89%
OWDA Loan 9878 - Refinance Wastewater Treatment Plant Mortgage Revenue Bond	714,512	2.89%
Erie Bank Loan - Fire Truck Loan	209,169	2.75%
Erie Bank Loan - 2018 Ford Utility Police Interceptor	12,829	4.75%
Erie Bank Loan - 2016 International 4300 Dump Truck	15,959	4.37%
Erie Bank Loan - Wastewater Land Purchase	153,656	2.85%
Erie Bank Loan - Computer Equipment	5,228	4.30%
Total	\$ 1,984,040	

The 2004 Ohio WWTP general obligation bonds were issued to fund a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The general obligation bonds are collateralized by the Village sewer receipts and collections from user fees from the Kennametal Corporation. The Village has agreed to set utility rates sufficient to cover Ohio WWTP Debt requirements. These bonds were refinanced with OWDA in 2022. Payments for the refinancing loan will be repaid in semiannual installments until 2043.

The Ohio Public Works Commission (OPWC) Phase I and 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 WWTP Headworks Improvements loans were entered into in 2020 and will be repaid in semiannual installments, interest free, over 20 years. The Water Facility Rehabilitation loans were entered into in 2015 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 Village. The Leffingwell Allotment loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Water Meter Upgrades loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Penniman Road Repair was entered into in 2017 and will be repaid in semiannual installments, interest free, over twenty years. The Park and Central Street Repairs loan was entered into in 2018 and will be repaid in semiannual installments, interest free, over twenty years.

In 2017, the Village entered into a loan agreement with Erie Bank for a car to be used for Village business. The loan is scheduled to be paid quarterly and paid off in 2022.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 9 – Debt (continued)**

In 2018, the Village entered into a loan agreement with Erie Bank to purchase police cars. These loans are backed by the Village's taxing authority. The loan is scheduled to be paid in quarterly installments and will be paid off in 2023.

In 2019, the Village entered into a loan with Erie Bank to finance technology upgrades. The loan is scheduled to be paid in quarterly installments and will be paid off in 2023.

In 2019, the Village entered into a loan with Erie Bank to finance a dump truck. The loan is scheduled to be paid in quarterly installments and will be paid off in 2024.

In 2020, the Village entered into a loan with Erie Bank to finance a fire truck. The loan is scheduled to be paid in quarterly installments and will be paid off in 2025.

In 2021, the Village entered into a loan with Erie Bank to finance the purchase of wastewater land. The loan is scheduled to be paid in quarterly installments and will be paid off in 2028.

***Amortization***

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

Year Ending December 31:	OPWC	OWDA	Erie Bank
2023	\$ 1,066	\$ 43,625	\$ 141,834
2024	28,606	87,250	127,625
2025	27,148	87,250	78,339
2026	27,148	87,250	29,053
2027	22,487	87,250	29,053
2028-2032	107,900	436,252	21,790
2033-2037	58,399	436,252	-
2038-2042	9,178	436,252	-
2043-2047	-	43,625	-
Total	\$281,932	\$1,745,006	\$ 427,694

**Note 10 – Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, there were none of these outstanding balances.

The fund balance of special revenue funds is either restricted or committed. The fund balances of debt service and capital projects funds are either restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 11 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

**Village of Orwell**  
**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, 2021*

	<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 and Other Local Taxes	\$ 67,726	\$ 39,210	\$ -	\$ -	\$ 106,936
Municipal Income Tax	1,538,378	68,806	-	-	1,607,184
Intergovernmental	19,124	230,276	-	-	249,400
Charges for Services	2,081	48,595	-	-	50,676
Fines, Licenses and Permits	7,833	-	-	-	7,833
Earnings on Investments	2,649	-	-	-	2,649
Miscellaneous	5,090	1,874	-	-	6,964
<i>Total Cash Receipts</i>	<u>1,642,881</u>	<u>388,761</u>	<u>-</u>	<u>-</u>	<u>2,031,642</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	752,158	126,523	-	-	878,681
Public Health Services	12,793	-	-	-	12,793
Leisure Time Activities	3,142	-	-	-	3,142
Transportation	-	147,303	-	-	147,303
General Government	509,064	-	-	-	509,064
Capital Outlay	337,897	72,693	-	372,743	783,333
Debt Service:	-				
Principal Retirement	47,648	10,356	-	39,368	97,372
Interest and Fiscal Charges	3,840	1,428	-	4,339	9,607
<i>Total Cash Disbursements</i>	<u>1,666,542</u>	<u>358,303</u>	<u>-</u>	<u>416,450</u>	<u>2,441,295</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(23,661)	30,458	-	(416,450)	(409,653)
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	-	-	-	5,500	5,500
Proceeds of Loan	183,779	-	-	-	183,779
Transfers In	-	-	-	277,000	277,000
Transfers Out	(277,000)	-	-	-	(277,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(93,221)</u>	<u>-</u>	<u>-</u>	<u>282,500</u>	<u>189,279</u>
<i>Net Change in Fund Cash Balances</i>	(116,882)	30,458	-	(133,950)	(220,374)
<i>Fund Cash Balances, January 1</i>	<u>1,356,900</u>	<u>429,338</u>	<u>56,683</u>	<u>765,198</u>	<u>2,608,119</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,240,018</u>	<u>\$ 459,796</u>	<u>\$ 56,683</u>	<u>\$ 631,248</u>	<u>\$ 2,387,745</u>

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

**Village of Orwell**  
**Ashtabula County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2021*

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 916,999
Fines, Licenses and Permits	65,000
Miscellaneous	17,305
	999,304
<i>Total Operating Cash Receipts</i>	<i>999,304</i>
<b>Operating Cash Disbursements</b>	
Personal Services	171,042
Contractual Services	260,542
Supplies and Materials	33,867
	465,451
<i>Total Operating Cash Disbursements</i>	<i>465,451</i>
<i>Operating Income (Loss)</i>	<i>533,853</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous	3,824
Capital Outlay	(88,930)
Redemption of Principal	(60,743)
Interest and Other Fiscal Charges	(62,285)
Other Financing Uses	(3,230)
	(211,364)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(211,364)</i>
<i>Net Change in Fund Cash Balances</i>	<i>322,489</i>
<i>Fund Cash Balances, January 1</i>	<i>2,424,732</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,747,221</i>

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

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 – Reporting Entity**

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

The Village participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 6 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 combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types, 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.

***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, 2021*

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**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:

**Fire Truck Fund** This fund receipts transfers from the general fund for the purchase of a fire truck.

**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** The water fund receives charges for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

***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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 (C) 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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and re-appropriated in the subsequent year.

A summary of 2021 budgetary activity appears in Note 3.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village.

***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 (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

***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, 2021*

**Note 2 – Summary of Significant Accounting Policies (continued)**

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,476,000	\$ 1,642,881	\$ 166,881
Special Revenue	324,568	388,762	64,194
Debt Service	7,500	-	(7,500)
Capital Projects	277,000	282,500	5,500
Enterprise	758,000	1,003,128	245,128

2021 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,043,732	\$ 1,759,763	\$ 283,969
Special Revenue	515,220	358,303	156,917
Debt Service	-	-	-
Capital Projects	428,400	416,450	11,950
Enterprise	933,812	680,640	253,172

**Note 4 – Deposits**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has segregated account which includes a clearing account that is not part of this pool.

A summary of the Village’s deposit accounts are as follows:

	2021
<b><i>Cash Management Pool:</i></b>	
Demand deposits	\$5,134,966
<b><i>Segregated Accounts - Not held in the Pool:</i></b>	
Payroll Clearing Account (Not held in the Pool)	21,782

The Village has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll. The balance in the Village’s payroll clearing account represents unremitted employee payroll withholdings and liabilities.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 4 – Deposits (continued)**

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 1.5% 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 6 – 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.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 6 – Risk Management (continued)**

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most 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% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2021.

***Ohio Police and Fire Retirement System***

The 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, 2021.

***Social Security***

Eight Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2021.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**Note 8 – 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% during calendar year 2021. OP&F contributed 0.5% to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
OPWC Loan CG02L - Breezewood Lane, Mist Avenue	\$ 8,333	0.00%
OPWC Loan CG48O - Water Meter Upgrades	51,488	0.00%
OPWC Loan CG40O - Leffingwell Allotment Road Improvements	63,000	0.00%
OPWC Loan CG37T - Parks and Central Street Repairs	45,819	0.00%
OPWC Loan CG16U - WWTP Headworks Improvements	40,508	0.00%
OPWC Loan CG16S - Penniman Road Repair	29,610	0.00%
OPWC Loan CG16G - East Main Street Watermain Replacement	15,000	0.00%
OPWC Loan CG06Q - Water Facility Rehabilitation	64,800	0.00%
OPWC Loan CG15H - Water Main Replacement Phase II	9,098	0.00%
USDA Series 2004 A - Wastewater Treatment Plant Mortgage Revenue Bond	567,900	4.50%
USDA Series 2004 B - Wastewater Treatment Plant Mortgage Revenue Bond	783,000	4.50%
Erie Bank Loan - Fire Truck Loan	289,539	2.75%
Erie Bank Loan - 2018 Ford Utility Police Interceptor	29,247	4.75%
Erie Bank Loan - 2016 International 4300 Dump Truck	26,129	4.37%
Erie Bank Loan - Wastewater Land Purchase	177,840	2.85%
Erie Bank Loan - Computer Equipment	10,336	4.30%
Total	\$ 2,211,647	

The prior year audited debt balance was understated by \$323,628 due to an unrecorded debt balance and minor differences in various balances.

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

The Ohio Public Works Commission (OPWC) Phase I and 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 WWTP Headworks Improvements loans were entered into in 2020 and will be repaid in semiannual installments, interest free, over 20 years. The Water Facility Rehabilitation loans were entered into in 2015 and will be repaid in semiannual installments, interest free, over 20 years.

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 9 – Debt (continued)**

The Breezewood loan was entered into during 2008 and will also be repaid in semiannual installments, interest free, over 20 years, collateralized by the taxing authority of Village. The Leffingwell Allotment loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Water Meter Upgrades loan was entered into in 2014 and will be repaid in semiannual installments, interest free, over twenty years. The Penniman Road Repair was entered into in 2017 and will be repaid in semiannual installments, interest free, over twenty years. The Park and Central Street Repairs loan was entered into in 2018 and will be repaid in semiannual installments, interest free, over twenty years.

In 2017, the Village entered into a loan agreement with Erie Bank for a car to be used for Village business. The loan is scheduled to be paid quarterly and paid off in 2022.

In 2018, the Village entered into a loan agreement with Erie Bank to purchase police cars. These loans are backed by the Village's taxing authority. The loan is scheduled to be paid in quarterly installments and will be paid off in 2023.

In 2019, the Village entered into a loan with Erie Bank to finance technology upgrades. The loan is scheduled to be paid in quarterly installments and will be paid off in 2023.

In 2019, the Village entered into a loan with Erie Bank to finance a dump truck. The loan is scheduled to be paid in quarterly installments and will be paid off in 2024.

In 2020, the Village entered into a loan with Erie Bank to finance a fire truck. The loan is scheduled to be paid in quarterly installments and will be paid off in 2025.

In 2021, the Village entered into a loan with Erie Bank to finance the purchase of wastewater land. The loan is scheduled to be paid in quarterly installments and will be paid off in 2028.

***Amortization***

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

Year Ending December 31:	OPWC	USDA	Erie Bank
2022	\$ 14,433	\$ 156,281	\$ 152,287
2023	30,481	95,429	141,834
2024	30,481	95,500	127,625
2025	27,148	95,395	78,339
2026	27,148	95,517	29,053
2027-2031	108,806	477,599	50,843
2032-2036	73,158	477,255	-
2037-2041	16,001	477,429	-
2042-2046	-	286,581	-
Total	\$ 327,656	\$ 2,256,984	\$ 579,981

**Village of Orwell, Ohio**  
*Ashtabula County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 10 – Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, there were none of these outstanding balances.

The fund balance of special revenue funds is either restricted or committed. The fund balances of debt service and capital projects funds are either restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

**Note 11 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.



**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 St  
P.O. Box 56  
Orwell, OH 44076

To the Village Council:

We have audited, 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 the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Orwell, Ashtabula County, (the Village) and have issued our report thereon dated August 1, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2022-001 and 2022-002 to be material weaknesses.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2022-003.


We also noted certain matters not requiring inclusion in this report that we reported to the Village management in a separate letter dated August 1, 2023.

***Village's Responses to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village responses to the findings identified in our audit and described in the accompanying Corrective Action Plan. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

***Purpose of this Report***

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



*Charles E. Harris & Associates, Inc.*  
August 1, 2023

**Village of Orwell**  
**Ashtabula County**  
*Schedule of Findings*  
*December 31, 2022 and 2021*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2022-001 – Material Weakness**

**Bank Reconciliations:**

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, 2022 and 2021 bank reconciliations indicated the Village’s cash fund balance exceeded its bank balances. These differences were due to the Village’s bank reconciliations not including one Village held bank account (Water Department) in 2022 and 2021. The audited financial statements added these balances.

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.

**Management’s Response:**

See corrective action plan.

**Finding Number 2022-002 – Material Weakness**

**Audit Adjustments/Reclassifications:**

The Village erroneously recorded numerous transactions during 2022 and 2021. The more significant adjustments are as follow:

- In 2022 and 2021, the Village recorded \$3,032 and \$85,221, respectively, as redemption of principal in the enterprise fund when it should have been recorded as capital outlay.
- In 2022 and 2021, the Village recorded principal and interest payments in the General Fund totaling \$37,396 and \$12,739, respectively that were reclassified to principal and interest and fiscal charges.

**Village of Orwell**  
**Ashtabula County**  
*Schedule of Findings*  
*December 31, 2022 and 2021*

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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**Finding Number 2022-002 – Material Weakness (continued)**

**Audit Adjustments/Reclassifications (continued):**

- In 2022 and 2021, the Village recorded \$986 and \$1,428, respectively, as principal retirement in the Special Revenue Fund, when it should have been recorded as interest and fiscal charges.
- In 2022 and 2021, the Village recorded \$87,415 and \$43,707, respectively as capital outlay in the Capital Projects Fund when \$80,370 and \$39,368, respectively should have been recorded as principal retirement and \$7,045 and \$4,339, respectively, should have been recorded as interest and fiscal charges.
- In 2021, the Village did not record \$183,779 as proceeds of loans and the capital outlay disbursements in the General Fund.
- In 2022, the Village did not record \$1,405,267 as proceeds of loans and the principal retirement and interest and other fiscal charges of \$1,350,900 and \$54,367, respectively, for the refinancing of debt in the Enterprise Fund.
- In 2022, the Village recorded the purchase of a truck as \$27,497 for redemption of principal and \$27,497 as interest and other fiscal charges in the Enterprise Fund, when it should have all been recorded as capital outlay.
- In 2022, \$100,000 of OWDA principal payments for the refinancing bonds being paid back using user charges from the Enterprise Fund were posted to the Debt Service Fund, when they should have been posted to the Enterprise Fund.
- The Village’s budgetary footnotes were modified due to the client presenting information that was not final for the budgeted amounts in Note 3. The Village’s debt footnotes were modified to present accurate principal and interest balances in Note 9. Other changes were necessary to correct various other items in the footnotes.

The accompanying financial statements and the Village’s records have been adjusted to properly reflect these transactions. Failure to report transactions correctly results in the financial statements not being accurately presented. We recommend that the Fiscal Officer follow the Village Officer’s Handbook and other Auditor of State guidance to properly classify its transactions. In addition, we recommend the Fiscal Officer review all financial reports compiled to ensure their accuracy, including the budgetary information.

**Management’s Response:**

See corrective action plan.

**Finding Number: 2022-003 - Noncompliance**

**Certification of Expenditures:**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**Village of Orwell**  
**Ashtabula County**  
*Schedule of Findings*  
*December 31, 2022 and 2021*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
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**Finding Number: 2022-003 – Noncompliance (continued)**

**Certification of Expenditures (continued):**

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a ordinance or resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by ordinance or resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not make the proper certification of funds for 29% of the disbursements tested for 2022 and 2021, Incurring obligations prior to the fiscal officer’s certification could result in the Village spending more than appropriated.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability. The Village may use then and now certificates and blanket purchase orders to assist with compliance with the above requirements.

**Management Response:**

See Corrective Action Plan.

**Village of Orwell**  
**Ashtabula County**  
*Schedule of Prior Audit Findings*  
*December 31, 2022 And 2021*  
*Prepared By Management*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	Material Weakness- Bank Reconciliations	Not Corrected	
2020-002	Material Weaknesses – Audit Adjustments / Reclassifications	Not Corrected	

**Village of Orwell**  
**Ashtabula County**  
*Corrective Action Plan*  
*For The Years Ended December 31, 2022 and 2021*  
*Prepared by Management*

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2022-001	Management plans to look into the bank reconciliation issue and the mis-postings of transactions.	Immediately	Kimberly McKinley, Fiscal Officer
2022-002	Management will work to properly record these transactions in the future.	Immediately	Kimberly McKinley, Fiscal Officer
2022-003	Management will work to ensure all transaction have proper certification prior to purchase.	Immediately	Kimberly McKinley, Fiscal Officer

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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 10/17/2023**

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](http://www.ohioauditor.gov)