



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF GRAFTON
LORAIN COUNTY
DECEMBER 31, 2020 AND 2019**

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VILLAGE OF GRAFTON
CUYAHOGA COUNTY
DECEMBER 31, 2020 AND 2019

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Grafton
Lorain County
960 Main Street
Grafton, Ohio 44044

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grafton, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2020 and 2019, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 14 in the notes to the financial statements for the year ended December 31, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 11, 2022

Village of Grafton
Lorain County, Ohio
Statement of Net Position - Cash Basis
December 31, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 2,805,872	\$ 5,988,853	\$ 8,794,725
Total assets	<u>2,805,872</u>	<u>5,988,853</u>	<u>8,794,725</u>
Restricted for:			
Capital projects	1,407,604	-	1,407,604
Other purposes	201,973	-	201,973
Unrestricted	<u>1,196,295</u>	<u>5,988,853</u>	<u>7,185,148</u>
Total net position	<u>\$ 2,805,872</u>	<u>\$ 5,988,853</u>	<u>\$ 8,794,725</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2020

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
General government	\$ 1,459,598	\$ 47,073	\$ 6,586	\$ -	\$ (1,405,939)	\$ -	\$ (1,405,939)
Security of persons and property	776,160	77,367	-	-	(698,793)	-	(698,793)
Public health services	352,094	-	322,806	-	(29,288)	-	(29,288)
Leisure time activities	51,041	4,250	13,334	-	(33,457)	-	(33,457)
Community environment	51,577	-	-	-	(51,577)	-	(51,577)
Basic utility services	384,031	266,039	-	-	(117,992)	-	(117,992)
Transportation	221,234	5,681	279,511	-	63,958	-	63,958
Capital outlay	746,983	-	-	134,438	(612,545)	-	(612,545)
Debt service:							
Principal retirement	206,298	-	-	-	(206,298)	-	(206,298)
Interest and fiscal charges	9,456	-	-	-	(9,456)	-	(9,456)
Total governmental activities	4,258,472	400,410	622,237	134,438	(3,101,387)	-	(3,101,387)
Business Type Activities							
Water	1,018,237	1,026,313	-	-	-	8,076	8,076
Sewer	1,672,127	1,811,419	-	-	-	139,292	139,292
Electric	3,589,807	3,687,532	-	-	-	97,725	97,725
Capital sewer	443,452	-	-	-	-	(443,452)	(443,452)
Other enterprise	10,225	10,513	-	-	-	288	288
Total business-type activities	6,733,848	6,535,777	-	-	-	(198,071)	(198,071)
Total government	\$ 10,992,320	\$ 6,936,187	\$ 622,237	\$ 134,438	(3,101,387)	(198,071)	(3,299,458)
General Receipts							
Municipal income taxes levied for:							
General purposes					1,014,877	-	1,014,877
Capital outlay					507,362	-	507,362
Property taxes levied for:							
General purposes					299,265	-	299,265
Security of persons and property					20,073	-	20,073
Grants and entitlements not restricted							
to specific programs					90,966	-	90,966
OWDA debt issued					27,356	443,452	470,808
Earnings on investment					65,042	-	65,042
Miscellaneous					374,269	-	374,269
Other debt proceeds					136,384	-	136,384
Total general receipts					2,535,594	443,452	2,979,046
Change in net position					(565,793)	245,381	(320,412)
Net position beginning of year					3,371,665	5,743,472	9,115,137
Net position end of year					\$ 2,805,872	\$ 5,988,853	\$ 8,794,725

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2020

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and cash equivalents	\$ 1,196,295	\$ 1,187,785	\$ 421,792	\$ 2,805,872
Fund Balances				
Restricted	-	1,187,785	421,792	1,609,577
Assigned	95,720	-	-	95,720
Unassigned	<u>1,100,575</u>	<u>-</u>	<u>-</u>	<u>1,100,575</u>
Total fund balances	<u>\$ 1,196,295</u>	<u>\$ 1,187,785</u>	<u>\$ 421,792</u>	<u>\$ 2,805,872</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal income taxes	\$ 1,014,877	\$ 473,079	\$ 34,283	\$ 1,522,239
Property and other local taxes	299,265	-	20,073	319,338
Charges for services	294,338	-	-	294,338
Fines, licenses and permits	60,385	-	1,411	61,796
Intergovernmental	90,966	-	795,270	886,236
Special assessments	5,681	-	-	5,681
Earnings on Investment	65,042	-	-	65,042
Miscellaneous	311,114	-	63,155	374,269
Total receipts	2,141,668	473,079	914,192	3,528,939
Disbursements				
Current:				
General government	1,445,631	-	13,967	1,459,598
Security of persons and property	716,481	-	59,679	776,160
Public health services	29,288	-	322,806	352,094
Leisure time activities	51,041	-	-	51,041
Community environment	51,577	-	-	51,577
Basic utility services	219,095	164,936	-	384,031
Transportation	-	-	221,234	221,234
Capital outlay	-	358,718	388,265	746,983
Debt service:				
Principal retirement	80,700	125,598	-	206,298
Interest and fiscal charges	7,019	2,437	-	9,456
Total disbursements	2,600,832	651,689	1,005,951	4,258,472
Excess of receipts over (under) disbursements	(459,164)	(178,610)	(91,759)	(729,533)
Other financing sources (uses)				
Other debt proceeds	-	-	163,740	163,740
Transfers in	110,615	-	-	110,615
Transfers out	(110,615)	-	-	(110,615)
Total other financing sources (uses)	-	-	163,740	163,740
Net change in fund balance	(459,164)	(178,610)	71,981	(565,793)
Fund balances beginning of year	1,655,459	1,366,395	349,811	3,371,665
Fund balances end of year	<u>\$ 1,196,295</u>	<u>\$ 1,187,785</u>	<u>\$ 421,792</u>	<u>\$ 2,805,872</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal income taxes	\$ 991,875	\$ 993,001	\$ 1,014,877	\$ 21,876
Property and other local taxes	292,482	292,814	299,265	6,451
Charges for services	287,667	287,994	294,338	6,344
Fines, licenses and permits	59,016	59,083	60,385	1,302
Intergovernmental	88,904	89,005	90,966	1,961
Special assessments	5,552	5,559	5,681	122
Earnings on Investment	63,568	63,640	65,042	1,402
Miscellaneous	304,063	304,408	311,114	6,706
Total receipts	2,093,127	2,095,505	2,141,668	46,163
Disbursements				
Current:				
General government	2,420,175	2,392,675	1,483,903	908,772
Security of persons and property	825,600	850,600	748,680	101,920
Public health services	38,100	38,100	29,288	8,812
Leisure time activities	69,000	69,000	58,891	10,109
Community environment	60,000	60,000	62,937	(2,937)
Basic utility services	227,000	227,000	225,134	1,866
Transportation	51,000	51,000	-	51,000
Debt service:				
Principal retirement	-	-	80,700	(80,700)
Interest and fiscal charges	-	-	7,019	(7,019)
Total disbursements	3,690,875	3,688,375	2,696,552	991,823
Excess of receipts over (under) disbursements	(1,597,748)	(1,592,870)	(554,884)	1,037,986
Other financing sources (uses)				
Transfers in	114,000	114,000	110,615	(3,385)
Transfers out	(108,108)	(108,231)	(110,615)	(2,384)
Total other financing sources (uses)	5,892	5,769	-	(5,769)
Net change in fund balance	(1,591,855)	(1,587,101)	(554,884)	1,032,217
Fund balance at beginning of year	1,603,639	1,603,639	1,603,639	-
Prior year encumbrances appropriated	51,820	51,820	51,820	-
Fund balance at end of year	\$ 63,604	\$ 68,358	\$ 1,100,575	\$ 1,032,217

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in pooled cash and cash equivalents	<u>\$ 1,143,095</u>	<u>\$ 3,053,268</u>	<u>\$ 1,740,260</u>	<u>\$ 52,230</u>	<u>\$ 5,988,853</u>
Net position					
Unrestricted	<u>1,143,095</u>	<u>3,053,268</u>	<u>1,740,260</u>	<u>52,230</u>	<u>5,988,853</u>
Total net position	<u><u>\$ 1,143,095</u></u>	<u><u>\$ 3,053,268</u></u>	<u><u>\$ 1,740,260</u></u>	<u><u>\$ 52,230</u></u>	<u><u>\$ 5,988,853</u></u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Operating Receipts					
Charges for services	\$ 989,496	\$ 1,797,065	\$ 3,475,605	\$ 10,513	\$ 6,272,679
Other operating receipts	36,817	14,354	211,927	-	263,098
Total operating receipts	1,026,313	1,811,419	3,687,532	10,513	6,535,777
Operating Disbursements					
Personal services	59,310	219,143	225,409	-	503,862
Employee fringe benefits	19,909	108,665	83,278	-	211,852
Travel and transportation	4,407	4,201	16,645	-	25,253
Contractual services	541,614	176,698	2,484,420	10,225	3,212,957
Supplies and materials	50,904	244,710	414,880	-	710,494
Total operating disbursements	676,144	753,417	3,224,632	10,225	4,664,418
Operating income	350,169	1,058,002	462,900	288	1,871,359
Non-operating receipts (disbursements)					
Other debt proceeds	-	-	-	443,452	443,452
Capital outlay	(101,040)	(420,857)	(259,145)	(443,452)	(1,224,494)
Principal retirement	(194,982)	(332,605)	(94,862)	-	(622,449)
Interest and fiscal charges	(46,071)	(165,248)	(11,168)	-	(222,487)
Total non-operating receipts and disbursements	(342,093)	(918,710)	(365,175)	-	(1,625,978)
Transfers					
Transfers in	-	-	110,615	-	110,615
Transfers out	-	-	(110,615)	-	(110,615)
Total transfers	-	-	-	-	-
Change in net position	8,076	139,292	97,725	288	245,381
Net position beginning of year	1,135,019	2,913,976	1,642,535	51,942	5,743,472
Net position end of year	<u>\$ 1,143,095</u>	<u>\$ 3,053,268</u>	<u>\$ 1,740,260</u>	<u>\$ 52,230</u>	<u>\$ 5,988,853</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2020

	Custodial
Assets	
Equity in pooled cash and cash equivalents	\$ 15,618
Total assets	15,618
Net Position	
Restricted for:	
Deposits	15,618
Total net position	\$ 15,618

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2020

	Custodial
	Other Custodial
Additions	
Fines, Licenses and Permits for Distribution	37,732
<i>Total Additions</i>	37,732
Deductions	
Other Distributions	38,100
<i>Total Deductions</i>	38,100
<i>Change in Net Position</i>	(368)
<i>Net Position Beginning of Year</i>	15,986
<i>Net Position End of Year</i>	\$15,618

See accompanying notes to the basic financial statements

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Grafton, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include five council members, a clerk/treasurer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, utility (including water, sewer, and electricity) and general administrative services.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Grafton provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer, electric and refuse collection. Council has direct responsibility for these services.

Joint Ventures and Public Entity Risk Pools

The Village participates in joint ventures and a public entity risk pool. Notes 12 and 7 to the financial statements, respectively, provide additional information for these entities.

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

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses fund accounting 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 in three categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General 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.

Capital Improvement Fund The capital improvements fund accounts for and reports that portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village’s major enterprise funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Electric Fund This fund is used to record user charges for the costs of providing electric service to Village residents and businesses.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village’s agency funds account for building and related permit fees, for compliance with building codes and for the operations of the Village’s mayor’s court.

Basis of Accounting

The Village’s financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is Village Council’s authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The Village’s investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Village. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2020 were \$65,042 which included \$60,731 assigned from other Village funds.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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. Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by ordinance, or by State statute. State Statute authorizes the Village Clerk/Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Village Council can also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the general fund.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis). For 2020, the outstanding encumbrances at year end (budgetary basis) amounted to \$95,720 for the general fund.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories:

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Village may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments (continued)

At year end, the Village had \$400 in undeposited cash on hand, which is included on the Statement of Cash Basis Asset and Fund Balances of the Village as part of “Equity in Pooled Cash and Cash Equivalents” for 2020.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2020, none of the Village’s bank balance of \$5,376,735 (including CD’s and StarPlus) was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Village’s name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, the Village had the following investments:

<u>Investment type</u>	<u>NAV</u>
STAR Ohio	\$ 3,321,187

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 5 – Property Taxes (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rates for all Village operations for the year ended December 31, 2019 (latest information available), were \$4.76 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2019 property tax receipts were based are as follows:

	2019 <u>Collection Year</u>
Real Property	
Residential and Agricultural	\$ 49,718,290
Commercial, industrial and minerals	15,806,590
Public Utility	44,570
Tangible Personal Property	
Public Utility Personal	<u>836,770</u>
Total Assessed Value	<u>\$ 66,406,220</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 6 – Income Taxes

The Village levies a 1.5% income tax on substantially all income earned in the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. The Village contracts with the Regional Income Tax Agency (RITA) for the collection of taxes, including delinquencies and monitoring of compliance with filing requirements. In 2020, the receipts were allocated to the general, capital improvement and capital improvement parks funds

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 7 – Risk Management (continued)

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee ***	10.0 %
 2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits ****	0.0
Total Employer	14.0 %
Employee	10.0 %

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$121,416 for the year 2020.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – Village full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percentage increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3 percent of their base pension or disability benefit.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police		Firefighters	
2020 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%
2020 Actual Contribution Rates				
Employer:				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50		0.50	
Total Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OP&F was \$50,408 for 2020.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Annual Comprehensive Financial Report referenced below for additional information.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 9 - Postemployment Benefits (continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$0 for 2020.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 9 - Postemployment Benefits (continued)

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contractually required contribution to OP&F was \$1,073 for 2020.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Public Works Commission (OPWC) Loans:			
Willow Street Reconstruction - CT22D	0.00%	114,953	July 1, 2022
Center Street Revitalization - CT79H	0.00%	21,014	January 1, 2026
Cleveland Street Drainage System Improvement - CI31J	0.00%	100,787	January 1, 2029
SR 57/Commerce Drive Storm Drainage - CI44M	0.00%	170,000	January 1, 2030
Parsons Road Improvements - CI31L	0.00%	35,000	January 1, 2025
Mechanic Street Improvements - CI21R	0.00%	249,000	July 1, 2045
Mechanic Street improvements Phase II - CI38S	0.00%	176,450	January 1, 2038
WWTP Improvements - CI41Q	0.00%	149,848	July 1, 2041
Elevated Water Storage Tank Replacement - CI55R	0.00%	545,834	January 1, 2049
Main Street Waterline Loop Replacement - CT27T	0.00%	113,505	January 1, 2049
Booster Pump Station - CI36T	0.00%	280,000	July 1, 2049
Oak Street Improvements - CI05U	0.00%	53,514	July 1, 2050
Chestnut Street Improvements - CI05V	0.00%	176,790	July 1, 2040
WWTP Improvements - CT30V	0.00%	200,000	July 1, 2040
Ohio Water Development Authority (OWDA) Loans:			
WWTP Improvements - 3265	6.41%	3,081,451	January 1, 2026
Pump Station Replacement - 6525	3.92%	340,418	July 1, 2019
Mechanic St Line Replacement - 6864	2.78%	342,788	July 1, 2025
Grafton WWTP Improvements - 6609	3.62%	3,134,068	January 1, 2040
Grafton Elm St Waterline Replacement - 6863	2.78%	236,003	January 1, 2026
Grafton Mechanic Street Sewer and Water Phase 2 - 7280	2.46%	410,338	January 1, 2027
Elevated Water Storage Tank Replacement - 7917	1.34%	1,144,705	January 1, 2039
Main Street Water Line Loop Replacement - 7918	1.34%	553,059	July 1, 2038
Booster Pump Station Replacement - 7919	1.34%	487,281	July 1, 2038
Asset Management Plan - 8204	0.00%	39,055	January 1, 2024
Water and Sewer Improvements on Oak Street - 8225	2.87%	374,696	July 1, 2029
Chestnut Street Improvement Phase I - 8408	2.87%	338,536	January 1, 2030
Farmers Loan - 19879	Variable	400,000	April 10, 2028

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt (continued)

The Village’s long-term debt activity for the year ended December 31, 2020 was as follows:

	Interest Rates	Balance at 1/1/2020	Increase	Decrease	Balance at 12/31/2020	Due in 1 Year
Governmental Activities:						
O.P.W.C. Loans	0%	\$ 765,835	\$ 136,384	\$ (19,897)	\$ 882,322	\$ 50,417
O.W.D.A. Loans	1.34% - 6.41%	1,184,536	27,356	(71,181)	1,140,711	72,138
Capital Lease	3%	70,238	-	(34,520)	35,718	35,718
Loans Payable	0%	358,633	-	(80,700)	277,933	126,499
Total Governmental Activities		\$ 2,379,242	\$ 163,740	\$ (206,298)	\$ 2,336,684	\$ 284,772
Business-Type Activities:						
O.P.W.C. Loans	0%	\$ 1,072,587	\$ 187,629	\$ (18,653)	\$ 1,241,563	\$ 47,305
O.W.D.A. Loans	1.34% - 6.41%	6,350,626	255,823	(510,496)	6,095,953	534,275
Loans Payable	0%	566,000	-	(93,300)	472,700	113,693
Total Business-Type Activities		\$ 7,989,213	\$ 443,452	\$ (622,449)	\$ 7,810,216	\$ 695,273

The Ohio Public Works Commission and Ohio Water Development Authority Loans were used for improvements to the Village’s water treatment and sewer treatment systems. The loans will be paid from user charges.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

Year Ending December 31:	O.P.W.C. Loans		O.W.D.A Loans	
	Principal		Principal	Interest
2021	\$ 97,721		\$ 534,275	\$ 209,862
2022	101,022		502,145	171,054
2023	101,446		524,114	153,751
2024	98,574		547,189	135,642
2025	98,574		571,433	116,687
2026-2030	471,956		1,419,525	389,169
2031-2035	408,247		739,529	218,415
2036-2040	387,399		789,034	73,115
2041-2045	215,965		-	-
2046-2050	142,981		-	-
Total	\$2,123,885		\$5,627,244	\$1,467,695

The amortization schedules for OWDA Loans #7917, #7918, #7919, #8204, and #8225, as well as the Farmers Loan # 19879, have not yet been completed. The above schedule does not include the principal balance of \$1,609,420 outstanding for these loans.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt (continued)

Leases

In 2012, the Village entered into a capital lease for the purchase of capital equipment. The Village disbursed \$36,957 to pay lease costs for the year ended December 31, 2020. Capital lease payments are reflected as functional disbursements in the financial statements for the governmental funds.

The following is a schedule of future minimum lease payments under this capital lease and present value of the net lease payments at December 31, 2020.

	Equipment
Year Ending December 31:	<u>Purchase</u>
2021	<u>\$ 36,957</u>
Total Minimum Lease Payment	36,957
Less: Amount Representing Interest	<u>(1,239)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 35,718</u></u>

Combustion Turbine Project

In August 2003, AMP financed, with a draw on its Line of Credit, the acquisition of three gas turbine installations, located in Bowling Green, Galion and Napoleon, Ohio (each of which is an AMP Member), plus an inventory of spare parts. Each installation consists of two gas-fired turbine generators, one 32 MW and one 16.5 MW, with an aggregate nameplate capacity for all three installations of 145.5 MW. The Combustion Turbine Project has no debt outstanding.

The Village of Grafton has executed a take-and-pay power sales contract with AMP as a participant of the AMP CT Project of 1,700 kW or 1.20% of capacity and associated energy from the AMP CT Project.

Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus ("PSEC"), a two unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the "Initial Prairie State Bonds") to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017 and 2019, AMP issued bonds (the "Prairie State Refunding Bonds" and, together with the Initial Prairie State Bonds, the "Prairie State Bonds") to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of December 31, 2020, AMP had \$1,470,255,000 aggregate principal amount of Prairie State Bonds outstanding.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt (continued)

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "Prairie State Power Sales Contract") with 68 Members (the "Prairie State Participants"). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 1,294 kW or 0.35% of capacity and associated energy from the PSEC.

AMP Fremont Energy Center

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation ("FirstEnergy") the Fremont Energy Center ("AFEC"), a combined cycle, natural gas fueled electric generating plant, then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. AFEC has a capacity of 512 MW (unfired)/675 MW (fired) and consists of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to the Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the "90.69% Interest") is sold to AMP Members pursuant to a take-or-pay power sales contract with 86 of its Members (the "AFEC Power Sales Contract").

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the "2012 AFEC Bonds"), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017, AMP issued bonds (the "AFEC Refunding Bonds" and, together with the 2012 AFEC Bonds, the "AFEC Bonds") to refund a portion of the 2012 AFEC Bonds. As of December 31, 2020, \$478,965,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 1,365 kW or 0.29% of capacity and associated energy from the AFEC.

Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt (continued)

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), in an original aggregate principal amount of \$2,142,071,461 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take- or-pay power sales contract with 79 of its Members. As of December 31, 2020, \$2,140,742,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$23.01 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. ("Voith"), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for the conclusion of discovery in April 2021, but no trial date has been set.

The Village of Grafton has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 899 kW or 0.43% of capacity and associated energy from the Combined Hydroelectric Projects.

Note 11 - Contingent Liabilities

The Village may be a defendant in lawsuits. Although the outcome of any lawsuit is not presently determinable, in the opinion of the Village Solicitor, the resolution of any matter will not have a material adverse effect on the financial condition of the Village.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 12 – Joint Ventures

OMEGA JV2 (latest information available)

The Village of Grafton is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2016, the outstanding debt was \$4,142,633. The Village's net investment in OMEGA JV2 was \$104,866 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 12 – Joint Ventures (continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

OMEGA JV5 (latest information available)

The Village of Grafton is a Financing Participant with an ownership percentage of .64%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 12 – Joint Ventures (continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Management Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net position will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of the OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016 the Village of Grafton has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 13 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2020 Fund Balances	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<u>Restricted for</u>				
Computer service	\$ -	\$ -	\$ 70	\$ 70
Law enforcement	-	-	34,125	34,125
Street and highway repair	-	-	154,987	154,987
Village event	-	-	5,800	5,800
Capital improvements	-	1,187,785	226,810	1,414,595
Total restricted	-	1,187,785	421,792	1,609,577
<u>Assigned</u>				
Encumbrances	95,720	-	-	95,720
Unassigned	1,100,575	-	-	1,100,575
Total fund balances	\$ 1,196,295	\$ 1,187,785	\$ 421,792	\$ 2,805,872

Note 14 – 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. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 15 – Transfers

During 2020, the following transfers were made:

<u>Transfer To</u>	<u>Transfer From</u> <u>Major Funds</u> <u>General Fund</u>
Enterprise	
Electric fund	\$ 110,615

The above-mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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Village of Grafton
Lorain County, Ohio
Statement of Net Position - Cash Basis
December 31, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 3,371,665	\$ 5,743,472	\$ 9,115,137
Total assets	<u>3,371,665</u>	<u>5,743,472</u>	<u>9,115,137</u>
Restricted for:			
Capital projects	1,551,931	-	1,551,931
Other purposes	164,275	-	164,275
Unrestricted	<u>1,655,459</u>	<u>5,743,472</u>	<u>7,398,931</u>
Total net position	<u>\$ 3,371,665</u>	<u>\$ 5,743,472</u>	<u>\$ 9,115,137</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2019

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
General government	\$ 1,214,815	\$ 66,970	\$ 5,477	\$ -	\$ (1,142,368)	\$ -	\$ (1,142,368)
Security of persons and property	728,285	76,663	2,242	-	(649,380)	-	(649,380)
Public health services	26,612	-	-	-	(26,612)	-	(26,612)
Leisure time activities	19,214	7,000	12,022	-	(192)	-	(192)
Community environment	44,913	-	-	-	(44,913)	-	(44,913)
Basic utility services	430,681	279,356	-	-	(151,325)	-	(151,325)
Transportation	245,268	8,282	248,008	-	11,022	-	11,022
Capital outlay	2,285,656	-	-	766,598	(1,519,058)	-	(1,519,058)
Debt service:							
Principal retirement	365,477	-	-	-	(365,477)	-	(365,477)
Interest and fiscal charges	16,819	-	-	-	(16,819)	-	(16,819)
Total governmental activities	5,377,740	438,271	267,749	766,598	(3,905,122)	-	(3,905,122)
Business Type Activities							
Water	786,059	892,714	-	-	-	106,655	106,655
Sewer	1,190,315	1,553,439	-	-	-	363,124	363,124
Electric	4,700,208	3,954,748	-	-	-	(745,460)	(745,460)
Capital sewer	757,283	-	-	-	-	(757,283)	(757,283)
Other enterprise	512,680	14,325	-	-	-	(498,355)	(498,355)
Total business-type activities	7,946,545	6,415,226	-	-	-	(1,531,319)	(1,531,319)
Total government	\$ 13,324,285	\$ 6,853,497	\$ 267,749	\$ 766,598	(3,905,122)	(1,531,319)	(5,436,441)
General Receipts							
Municipal income taxes levied for:							
General purposes					1,088,748	-	1,088,748
Capital outlay					544,291	-	544,291
Property taxes levied for:							
General purposes					253,091	-	253,091
Security of persons and property					17,044	-	17,044
Grants and entitlements not restricted							
to specific programs					114,152	-	114,152
OWDA debt issued					652,821	1,257,378	1,910,199
OPWC debt issued					358,053	-	358,053
Capital lease issued					250,000	-	250,000
Earnings on investment					164,855	-	164,855
Miscellaneous					388,287	-	388,287
Other debt proceeds					-	650,000	650,000
Total general receipts					3,831,342	1,907,378	5,738,720
Change in net position					(73,780)	376,059	302,279
Net position beginning of year					3,445,445	5,367,413	8,812,858
Net position end of year					\$ 3,371,665	\$ 5,743,472	\$ 9,115,137

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2019

	<u>General</u>	<u>Capital Improvement</u>	<u>Issue II</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash and cash equivalents	\$ 1,655,459	\$ 1,366,395	\$ -	\$ 349,811	\$ 3,371,665
Fund Balances					
Restricted	-	1,366,395	-	349,811	1,716,206
Assigned	51,820	-	-	-	51,820
Unassigned	1,603,639	-	-	-	1,603,639
Total fund balances	<u>\$ 1,655,459</u>	<u>\$ 1,366,395</u>	<u>\$ -</u>	<u>\$ 349,811</u>	<u>\$ 3,371,665</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Capital Improvement	Issue II	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 1,088,748	\$ 509,189	\$ -	\$ 35,102	\$ 1,633,039
Property and other local taxes	253,091	-	-	17,044	270,135
Charges for services	302,890	-	-	-	302,890
Fines, licenses and permits	77,959	-	-	29,040	106,999
Intergovernmental	114,152	-	654,900	344,136	1,113,188
Special assessments	8,282	-	-	-	8,282
Earnings on Investment	164,855	-	-	-	164,855
Miscellaneous	412,181	-	-	31,517	443,698
Total receipts	2,422,158	509,189	654,900	456,839	4,043,086
Disbursements					
Current:					
General government	1,202,042	-	-	12,773	1,214,815
Security of persons and property	708,766	-	-	19,519	728,285
Public health services	26,612	-	-	-	26,612
Leisure time activities	19,214	-	-	-	19,214
Community environment	44,913	-	-	-	44,913
Basic utility services	220,991	209,690	-	-	430,681
Transportation	-	-	-	245,268	245,268
Capital outlay	-	468,689	1,012,953	804,014	2,285,656
Debt service:					
Principal retirement	246,967	118,510	-	-	365,477
Interest and fiscal charges	13,224	3,595	-	-	16,819
Total disbursements	2,482,729	800,484	1,012,953	1,081,574	5,377,740
Excess of receipts over (under) disbursements	(60,571)	(291,295)	(358,053)	(624,735)	(1,334,654)
Other financing sources (uses)					
Capital lease issued	250,000	-	-	-	250,000
OPWC debt issued	-	-	358,053	-	358,053
Other debt proceeds	-	-	-	652,821	652,821
Sale of capital assets	-	-	-	-	-
Transfers in	113,897	-	-	13,119	127,016
Transfers out	(113,897)	-	-	(13,119)	(127,016)
Total other financing sources (uses)	250,000	-	358,053	652,821	1,260,874
Net change in fund balance	189,429	(291,295)	-	28,086	(73,780)
Fund balances beginning of year	1,466,030	1,657,690	-	321,725	3,445,445
Fund balances end of year	<u>\$ 1,655,459</u>	<u>\$ 1,366,395</u>	<u>\$ -</u>	<u>\$ 349,811</u>	<u>\$ 3,371,665</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal income taxes	\$ 786,842	\$ 1,199,894	\$ 1,088,748	\$ (111,146)
Property and other local taxes	182,910	278,928	253,091	(25,837)
Charges for services	218,900	333,811	302,890	(30,921)
Fines, licenses and permits	56,341	85,918	77,959	(7,959)
Intergovernmental	82,498	125,805	114,152	(11,653)
Special assessments	5,985	9,127	8,282	(845)
Earnings on Investment	119,141	181,684	164,855	(16,829)
Miscellaneous	297,885	454,259	412,181	(42,078)
Total receipts	1,750,502	2,669,426	2,422,158	(247,268)
Disbursements				
Current:				
General government	1,785,350	2,744,489	1,202,282	1,542,207
Security of persons and property	800,500	802,500	724,515	77,985
Public health services	36,000	36,000	26,612	9,388
Leisure time activities	69,000	69,000	19,214	49,786
Community environment	220,000	220,694	74,666	146,028
Basic utility services	230,000	230,000	227,069	2,931
Debt service:				
Principal retirement	-	-	246,967	(246,967)
Interest and fiscal charges	-	-	13,224	(13,224)
Total disbursements	3,140,850	4,102,683	2,534,549	1,568,134
Excess of receipts over (under) disbursements	(1,390,348)	(1,433,257)	(112,391)	1,320,866
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Transfers in	82,314	125,524	113,897	(11,627)
Transfers out	-	-	(113,897)	(113,897)
Total other financing sources (uses)	82,314	125,524	250,000	124,476
Net change in fund balance	(1,308,034)	(1,307,733)	137,609	1,445,342
Fund balance at beginning of year	1,418,033	1,418,033	1,418,033	-
Prior year encumbrances appropriated	47,997	47,997	47,997	-
Fund balance at end of year	\$ 157,996	\$ 158,297	\$ 1,603,639	\$ 1,445,342

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Capital Improvement OWDA Sewer</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 1,135,019	\$ 2,913,976	\$ 1,642,535	\$ -	\$ 51,942	\$ 5,743,472
Net position						
Unrestricted	<u>1,135,019</u>	<u>2,913,976</u>	<u>1,642,535</u>	<u>-</u>	<u>51,942</u>	<u>5,743,472</u>
Total net position	<u>\$ 1,135,019</u>	<u>\$ 2,913,976</u>	<u>\$ 1,642,535</u>	<u>\$ -</u>	<u>\$ 51,942</u>	<u>\$ 5,743,472</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	Water	Sewer	Electric	Capital Improvement OWDA Sewer	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts						
Charges for services	\$ 867,814	\$ 1,548,869	\$ 3,849,884	\$ -	\$ 14,325	\$ 6,280,892
Other operating receipts	24,900	4,570	104,864	-	-	134,334
Total operating receipts	892,714	1,553,439	3,954,748	-	14,325	6,415,226
Operating Disbursements						
Personal services	52,931	202,452	202,545	-	-	457,928
Employee fringe benefits	18,801	95,213	80,979	-	-	194,993
Travel and transportation	6,327	5,659	8,282	-	-	20,268
Contractual services	468,472	97,240	2,872,848	-	12,585	3,451,145
Supplies and materials	38,178	237,596	318,399	-	-	594,173
Total operating disbursements	584,709	638,160	3,483,053	-	12,585	4,718,507
Operating income	308,005	915,279	471,695	-	1,740	1,696,719
Non-operating receipts (disbursements)						
Other debt proceeds	-	-	650,000	757,283	500,095	1,907,378
Capital outlay	(31,312)	(15,497)	(1,118,377)	(757,283)	(500,095)	(2,422,564)
Principal retirement	(137,421)	(366,622)	(84,000)	-	-	(588,043)
Interest and fiscal charges	(32,617)	(170,036)	(14,778)	-	-	(217,431)
Total non-operating receipts and disbursements	(201,350)	(552,155)	(567,155)	-	-	(1,320,660)
Income (loss) before transfers	106,655	363,124	(95,460)	-	1,740	376,059
Transfers						
Transfers in	-	-	113,897	-	-	113,897
Transfers out	-	-	(113,897)	-	-	(113,897)
Change in net position	106,655	363,124	(95,460)	-	1,740	376,059
Net position beginning of year	1,028,364	2,550,852	1,737,995	-	50,202	5,367,413
Net position end of year	<u>\$ 1,135,019</u>	<u>\$ 2,913,976</u>	<u>\$ 1,642,535</u>	<u>\$ -</u>	<u>\$ 51,942</u>	<u>\$ 5,743,472</u>

See accompanying notes to the financial statements.

Village of Grafton
Lorain County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2019

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 15,986
Total assets	15,986
Net Position	
Restricted for:	
Deposits	15,986
Total net position	\$ 15,986

See accompanying notes to the financial statements.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Grafton, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include five council members, a clerk/treasurer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, utility (including water, sewer, and electricity) and general administrative services.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government of the Village of Grafton provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer, electric and refuse collection. Council has direct responsibility for these services.

Joint Ventures and Public Entity Risk Pools

The Village participates in joint ventures and a public entity risk pool. Notes 12 and 7 to the financial statements, respectively, provide additional information for these entities.

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

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses fund accounting 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 in three categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General 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.

Capital Improvement Fund The capital improvements fund accounts for and reports that portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

Capital Improvement – Issue II Fund The capital improvement – issue II fund accounts for and reports that portion of intergovernmental receipts committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village specified by the Issue II grant.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village’s major enterprise funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Electric Fund This fund is used to record user charges for the costs of providing electric service to Village residents and businesses.

Capital Improvement – OWDA Sewer The capital improvement – OWDA sewer fund accounts for and reports that portion of OWDA loan proceed receipts committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village specified by the OWDA sewer loan.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village’s agency funds account for building and related permit fees, for compliance with building codes and for the operations of the Village’s mayor’s court.

Basis of Accounting

The Village’s financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is Village Council’s authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The Village’s investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Village. The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2019, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2019 were \$164,855 which included \$135,280 assigned from other Village funds.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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. Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by ordinance, or by State statute. State Statute authorizes the Village Clerk/Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Village Council can also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the general fund.

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

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis). For 2019, the outstanding encumbrances at year end (budgetary basis) amounted to \$51,820 for the general fund.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories:

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Village may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments (continued)

At year end, the Village had \$400 in undeposited cash on hand, which is included on the Statement of Cash Basis Asset and Fund Balances of the Village as part of “Equity in Pooled Cash and Cash Equivalents” for 2019.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2019, none of the Village’s bank balance of \$5,292,001 (including CD’s and StarPlus) was exposed to custodial credit risk because those deposits were uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Village’s name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, the Village had the following investments:

<u>Investment type</u>	<u>NAV</u>
STAR Ohio	\$ 5,032,482

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2019 for real and public utility property taxes represent collections of 2018 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected and intended to finance 2020.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 5 – Property Taxes (continued)

Public utility personal property currently is assessed at varying percentage of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 real property taxes.

The full tax rates for all Village operations for the year ended December 31, 2018, were \$4.76 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2017 property tax receipts were based are as follows:

	<u>2019</u> <u>Collection Year</u>
Real Property	
Residential and Agricultural	\$ 49,090,910
Commercial, industrial and minerals	15,134,590
Public Utility	39,030
Tangible Personal Property	
Public Utility Personal	<u>794,680</u>
Total Assessed Value	<u>\$ 65,059,210</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 6 – Income Taxes

The Village levies a 1.5% income tax on substantially all income earned in the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. The Village contracts with the Regional Income Tax Agency (RITA) for the collection of taxes, including delinquencies and monitoring of compliance with filing requirements. In 2019, the receipts were allocated to the general, capital improvement and capital improvement parks funds.

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- | | |
|---|---|
| <ul style="list-style-type: none"> - General liability and casualty - Cyber - Automobile liability - Property | <ul style="list-style-type: none"> - Public official’s liability - Law enforcement liability - Vehicles - Equipment breakdown |
|---|---|

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 7 – Risk Management (continued)

The Pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of December 31:

2019	
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$ 12,965,015

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 8 – Defined Benefit Pension Plans (continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 8 – Defined Benefit Pension Plans (continued)

	State and Local	Public Safety
2019 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	12.0 %
 2019 Actual Contribution Rates		
Employer:		
Pension	14.0 %	18.1 %
Post-employment Health Care Benefits	0.0 %	0.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	12.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$111,185 for year 2019.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 8 – Defined Benefit Pension Plans (continued)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member’s base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$47,745 for 2019.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 9 - Postemployment Benefits (continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2019, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2019, 2018, and 2017 was \$0, \$0, and \$8,800 respectively. The full amount has been contributed for all three years.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 9 - Postemployment Benefits (continued)

Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 9 - Postemployment Benefits (continued)

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Village's contribution to OPF for healthcare for the years ended December 31, 2019, 2018, and 2017 were \$0, \$1,256, \$1,111, respectively. The full amount has been contributed for all three years.

Note 10 – Debt

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Public Works Commission (OPWC) Loans:			
Willow Street Reconstruction - CT22D	0.00%	114,953	July 1, 2022
Center Street Revitalization - CT79H	0.00%	21,014	January 1, 2026
Cleveland Street Drainage System Improvement - CI31J	0.00%	100,787	January 1, 2029
SR 57/Commerce Drive Storm Drainage - CI44M	0.00%	170,000	January 1, 2030
Parsons Road Improvements - CI31L	0.00%	35,000	January 1, 2025
Mechanic Street Improvements - CI21R	0.00%	249,000	July 1, 2045
Mechanic Street improvements Phase II - CI38S	0.00%	176,450	January 1, 2038
WWTP Improvements - CI41Q	0.00%	149,848	July 1, 2041
Elevated Water Storage Tank Replacement - CI55R	0.00%	545,834	January 1, 2049
Main Street Waterline Loop Replacement - CT27T	0.00%	113,505	January 1, 2049
Booster Pump Station - CI36T	0.00%	280,000	July 1, 2049
Ohio Water Development Authority (OWDA) Loans:			
WWTP Improvements - 3265	6.41%	3,081,451	January 1, 2026
Pump Station Replacement - 6525	3.92%	340,418	July 1, 2019
Mechanic St Line Replacement - 6864	2.78%	342,788	July 1, 2025
Grafton WWTP Improvements - 6609	3.62%	3,134,068	January 1, 2040
Grafton Elm St Waterline Replacement - 6863	2.78%	236,003	January 1, 2026
Grafton Mechanic Street Sewer and Water Phase 2 - 7280	2.46%	410,338	January 1, 2027
Elevated Water Storage Tank Replacement - 7917	1.34%	597,182	January 1, 2039
Main Street Water Line Loop Replacement - 7918	1.34%	478,413	July 1, 2038
Booster Pump Station Replacement - 7919	1.34%	266,750	July 1, 2038
Asset Management Plan - 8204	0.00%	7,691	January 1, 2024
Water and Sewer Improvements on Oak Street - 8225	2.87%	83,552	July 1, 2029
Farmers Loan - 19879	Variable	355,600	April 10, 2028

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt (continued)

The Village’s long-term debt activity for the year ended December 31, 2019 was as follows:

	Interest Rates	Restated Balance at 1/1/2019	Increase	Decrease	Balance at 12/31/2019	Due in 1 Year
Governmental Activities:						
O.P.W.C. Loans	0%	\$ 447,576	\$ 358,053	\$ (39,794)	\$ 765,835	\$ 19,897
O.W.D.A. Loans	1.34% - 6.41%	577,069	652,821	(45,354)	1,184,536	71,181
Capital Lease	3%	103,600	-	(33,362)	70,238	34,520
Loans Payable	0%	355,600	250,000	(246,967)	358,633	80,700
Total Governmental Activities		\$ 1,483,845	\$ 1,260,874	\$ (365,477)	\$ 2,379,242	\$ 206,298
Business-Type Activities:						
O.P.W.C. Loans	0%	\$ 954,407	\$ 135,163	\$ (16,983)	\$ 1,072,587	\$ 18,653
O.W.D.A. Loans	1.34% - 6.41%	5,670,118	1,122,215	(441,707)	6,350,626	510,496
Loans Payable	0%	-	650,000	(84,000)	566,000	93,300
Total Business-Type Activities		\$ 6,624,525	\$ 1,907,378	\$ (542,690)	\$ 7,989,213	\$ 622,449

The Ohio Public Works Commission and Ohio Water Development Authority Loans were used for improvements to the Village’s water treatment and sewer treatment systems. The loans will be paid from user charges.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2019 are as follows:

Year Ending	O.P.W.C Loans		O.W.D.A Loans	
	Principal	Interest	Principal	Interest
December 31:				
2020	\$ 77,101	\$ 190,629	\$ 439,315	\$ 209,862
2021	97,721	209,862	506,161	171,054
2022	90,093	171,054	502,145	153,751
2023	81,976	153,751	524,114	135,642
2024	81,975	135,642	547,189	445,367
2025-2029	393,173	445,367	1,781,350	246,019
2030-2034	329,505	246,019	790,428	104,296
2035-2039	309,809	104,296	853,647	1,703
2040-2044	223,200	1,703	94,091	-
2045-2049	153,869	-	-	-
Total	\$1,838,422	\$ 1,658,323	\$ 6,038,440	\$ 1,658,323

The amortization schedules for OWDA Loans #7917, #7918, #7919, and #8204, as well as the Farmers Loan # 19879, have not yet been completed. The above schedule does not include the principal balance of \$1,496,722 outstanding for these loans.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt (continued)

Leases

In 2012, the Village entered into a capital lease for the purchase of capital equipment. The Village disbursed \$36,957 to pay lease costs for the year ended December 31, 2019. Capital lease payments are reflected as functional disbursements in the financial statements for the governmental funds.

The following is a schedule of future minimum lease payments under this capital lease and present value of the net lease payments at December 31, 2019.

	Equipment Purchase
Year Ending December 31:	
2020	\$ 36,957
2021	36,957
Total Minimum Lease Payment	73,914
Less: Amount Representing Interest	(3,677)
Present Value of Minimum Lease Payments	\$ 70,237

AMP Generating Station (AMPGS) Project (latest information available)

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village’s project share was 2,399 kilowatts (kW) of a total 771,281kW, giving the Village a .31% project share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village’s estimated share of the impaired costs at March 31, 2014 was \$414,845. The Village received a credit of \$146,685 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$108,494 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). In addition, the Village made payments totaling \$44,596 leaving a net impaired cost balance of \$115,070. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village’s net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant’s original project share in kW including the AMP General Fund’s project share.

Since March 31, 2014 the Village has made payments of \$65,003 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village’s allocation of additional costs incurred by the project is \$4,178 and interest expense incurred on AMP’s line-of-credit is \$2,382, resulting in a net impaired cost estimate at December

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

31, 2016 of \$56,627. The Village does have a potential PHFU Liability of \$111,520 resulting in a net total potential liability of \$168,147, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include such negative items as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property. The Village intends to recover these costs and repay AMP over the next 5 years through a power cost adjustment.

Note 11 - Contingent Liabilities

The Village may be a defendant in lawsuits. Although the outcome of any lawsuit is not presently determinable, in the opinion of the Village Solicitor, the resolution of any matter will not have a material adverse effect on the financial condition of the Village.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Note 12 – Joint Ventures

OMEGA JV2 (latest information available)

The Village of Grafton is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2016, the outstanding debt was \$4,142,633. The Village's net investment in OMEGA JV2 was \$104,866 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 12 – Joint Ventures (continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

OMEGA JV5 (latest information available)

The Village of Grafton is a Financing Participant with an ownership percentage of .64%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 12 – Joint Ventures (continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Management Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net position will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of the OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016 the Village of Grafton has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

Village of Grafton
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 13 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2019				
Fund Balances	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<u>Restricted for</u>				
Computer service	\$ -	\$ -	\$ 800	\$ 800
Law enforcement	-	-	60,998	60,998
Street and highway repair	-	-	96,711	96,711
Village event	-	-	5,766	5,766
Capital improvements	-	1,366,395	185,536	1,551,931
Total restricted	-	1,366,395	349,811	1,716,206
<u>Assigned</u>				
Encumbrances	51,820	-	-	51,820
Unassigned	1,603,639	-	-	1,603,639
Total fund balances	\$ 1,655,459	\$ 1,366,395	\$ 349,811	\$ 3,371,665

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Grafton
Lorain County
960 Main Street
Grafton, Ohio 44044

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grafton, Lorain County, (the Village) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 11, 2022, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

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

Village's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

October 11, 2022

**VILLAGE OF GRAFTON
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In 2019, the following activity was improperly recorded and properly adjusted in the Village's financial statements:

- In the General Fund, the Village improperly posted proceeds of a capital lease of \$250,000 as sale of capital assets;
- In the General Fund, the Village improperly posted a grant receipt for \$16,875 to miscellaneous revenue instead of intergovernmental revenue;
- In the Issue II Fund, the Village improperly posted OPWC loan proceeds of \$4,794 to intergovernmental revenue;
- In the Capital Improvement Fund, the Village improperly posted debt principal payments of \$1,581 to interest and fiscal charges and \$45,354 to capital outlay;
- In the Capital Sewer Fund, the Village did not record \$32,094 in OWDA loan proceeds and related capital outlay expenditures;
- In the Electric Fund, the Village improperly posted the proceeds of a bank loan for \$650,000 to other operating receipts;
- In the Other Enterprise Funds, the Village did not record \$122,792 and \$12,371 in OWDA Water and OWDA Sewer, respectively, loan proceeds and related capital outlay expenditures.

In 2020, the following activity was improperly recorded and properly adjusted in the Village's financial statements:

- In the Issue II Fund, the Village improperly posted OPWC loan proceeds of \$324,013 to intergovernmental revenue;
- In the Capital Improvement Fund, the Village improperly posted debt principal payments of \$71,181 to capital outlay;
- In the Capital Sewer Fund, the Village did not record \$38,895 in OWDA loan proceeds and related capital outlay expenditures.

Failure to properly record receipts and disbursements could result in errors in the financial statements and inaccurate information being reported to Council and the Village residents.

We recommend the Village adopt policies and procedures for controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year.

Official's Response:

All adjustments have been made.



VILLAGE OF GRAFTON

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	The Village had various revenue and expenditure mispostings.	Not Corrected	Repeated as 2020-001

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF GRAFTON

LORAIN 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 10/25/2022

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