



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

February 22, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

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DAVE YOST
Auditor of State

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VILLAGE OF LOWELLVILLE
MAHONING COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Lowellville
Mahoning County
P.O. Box 124
Lowellville, Ohio 44436

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

December 30, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lowellville
Mahoning County
P.O. Box 124
Lowellville, Ohio 44436

To the Village Council:

We have audited the accompanying financial statements of the Village of Lowellville, Mahoning County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permit the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third and fourth following paragraphs.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable, for the years then ended.

The Village has outsourced sewer billings and collections to a third party administrator. The financial statements report sewer billings and collections in the Sewer Operating Fund (an Enterprise Fund). The third party administrator did not provide us with information we requested regarding the design or proper operation of its internal controls or with certain information regarding charges for services. We were therefore unable to satisfy ourselves as to the proper processing of sewer billings' revenues. Those revenues represent 99% of the operating receipts reported in 2009 and 92% of the operating receipts reported in 2008 within the Proprietary Fund Type, Enterprise Fund.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding sewer billings' receipts reported within the Proprietary Fund Type, Enterprise Fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balance of the Proprietary Fund Type, Enterprise Fund of the Village of Lowellville, Mahoning County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective combined fund cash balances of the General Fund, Special Revenue Fund Type, Debt Service Fund Type, Capital Projects Fund Type, and Fiduciary Fund Type, Agency Fund of the Village of Lowellville, Mahoning County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

December 30, 2010

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$101,567	\$8,863	\$5,164		\$115,594
Municipal Income Tax	315,438				315,438
Intergovernmental	46,014	93,719			139,733
Special Assessments				\$8,777	8,777
Charges for Services	66,323				66,323
Fines, Licenses and Permits	33,131	670			33,801
Earnings on Investments	154	15			169
Miscellaneous		731			731
	<u>562,627</u>	<u>103,998</u>	<u>5,164</u>	<u>8,777</u>	<u>680,566</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	292,845	315			293,160
Public Health Services	4,601				4,601
Community Environment	3,851				3,851
Transportation	64,788	83,997			148,785
General Government	181,358	1,549	100		183,007
Debt Service:					
Redemption of Principal	10,848		5,364	7,717	23,929
Interest and Fiscal Charges	4,227			1,060	5,287
Capital Outlay		14,155			14,155
	<u>562,518</u>	<u>100,016</u>	<u>5,464</u>	<u>8,777</u>	<u>676,775</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>109</u>	<u>3,982</u>	<u>(300)</u>	<u>0</u>	<u>3,791</u>
Other Financing Receipts / (Disbursements):					
Transfers-In		4,000			4,000
Transfers-Out	(4,000)				(4,000)
Other Financing Uses	(500)	(2,400)			(2,900)
	<u>(4,500)</u>	<u>1,600</u>	<u>0</u>	<u>0</u>	<u>(2,900)</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,391)</u>	<u>5,582</u>	<u>(300)</u>	<u>0</u>	<u>891</u>
Fund Cash Balances, January 1	<u>112,863</u>	<u>7,771</u>	<u>3,071</u>	<u>1,347</u>	<u>125,052</u>
Fund Cash Balances, December 31	<u>\$108,472</u>	<u>\$13,353</u>	<u>\$2,771</u>	<u>\$1,347</u>	<u>\$125,943</u>

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

**VILLAGE OF LOWELLVILLE
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$158,162		\$158,162
Fines, Licenses and Permits		\$8,418	8,418
Total Operating Cash Receipts	<u>158,162</u>	<u>8,418</u>	<u>166,580</u>
Operating Cash Disbursements:			
Personal Services	70,423		70,423
Employee Fringe Benefits	38,367		38,367
Contractual Services	123,576		123,576
Supplies and Materials	23,119		23,119
Other	300	8,418	8,718
Total Operating Cash Disbursements	<u>255,785</u>	<u>8,418</u>	<u>264,203</u>
Operating Income/(Loss)	<u>(97,623)</u>	<u>0</u>	<u>(97,623)</u>
Non-Operating Cash Receipts:			
Earnings on Investments	275		275
Other Non-Operating Cash Receipts	148,201		148,201
Total Non-Operating Cash Receipts	<u>148,476</u>	<u>0</u>	<u>148,476</u>
Non-Operating Cash Disbursements:			
Capital Outlay	18,061		18,061
Other Non-Operating Cash Disbursements	4,661		4,661
Total Non-Operating Cash Disbursements	<u>22,722</u>	<u>0</u>	<u>22,722</u>
Net Receipts Over/(Under) Disbursements	28,131	0	28,131
Fund Cash Balances, January 1	<u>417,170</u>	<u>112</u>	<u>417,282</u>
Fund Cash Balances, December 31	<u><u>\$445,301</u></u>	<u><u>\$112</u></u>	<u><u>\$445,413</u></u>

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$104,905	\$9,351	\$4,962		\$119,218
Municipal Income Tax	356,006				356,006
Intergovernmental	45,868	160,529		\$2,150	208,547
Special Assessments				8,777	8,777
Charges for Services	61,618				61,618
Fines, Licenses and Permits	20,972	854			21,826
Earnings on Investments	2,498	247			2,745
Miscellaneous		2,551			2,551
	<u>591,867</u>	<u>173,532</u>	<u>4,962</u>	<u>10,927</u>	<u>781,288</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	315,635	971			316,606
Public Health Services	4,789				4,789
Community Environment	3,900			1,909	5,809
Transportation	42,325	98,270			140,595
General Government	193,248	350	100		193,698
Debt Service:					
Redemption of Principal	10,504		4,000	7,566	22,070
Interest and Fiscal Charges	4,571			1,211	5,782
Capital Outlay		89,930		2,220	92,150
	<u>574,972</u>	<u>189,521</u>	<u>4,100</u>	<u>12,906</u>	<u>781,499</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>16,895</u>	<u>(15,989)</u>	<u>862</u>	<u>(1,979)</u>	<u>(211)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Other Debt Proceeds	11,487				11,487
Transfers-In		3,000			3,000
Transfers-Out	(3,000)				(3,000)
Other Financing Uses	(5,800)				(5,800)
	<u>2,687</u>	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>5,687</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>19,582</u>	<u>(12,989)</u>	<u>862</u>	<u>(1,979)</u>	<u>5,476</u>
Fund Cash Balances, January 1	<u>93,281</u>	<u>20,760</u>	<u>2,209</u>	<u>3,326</u>	<u>119,576</u>
Fund Cash Balances, December 31	<u>\$112,863</u>	<u>\$7,771</u>	<u>\$3,071</u>	<u>\$1,347</u>	<u>\$125,052</u>

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$169,890		\$169,890
Fines, Licenses and Permits		\$9,265	9,265
Total Operating Cash Receipts	<u>169,890</u>	<u>9,265</u>	<u>179,155</u>
Operating Cash Disbursements:			
Personal Services	68,666		68,666
Employee Fringe Benefits	34,487		34,487
Contractual Services	118,775		118,775
Supplies and Materials	44,892		44,892
Other	99	9,265	9,364
Total Operating Cash Disbursements	<u>266,919</u>	<u>9,265</u>	<u>276,184</u>
Operating Income/(Loss)	<u>(97,029)</u>	<u>0</u>	<u>(97,029)</u>
Non-Operating Cash Receipts:			
Earnings on Investments	4,265		4,265
Other Non-Operating Cash Receipts	138,158		138,158
Total Non-Operating Cash Receipts	<u>142,423</u>	<u>0</u>	<u>142,423</u>
Non-Operating Cash Disbursements:			
Capital Outlay	20,927		20,927
Other Non-Operating Cash Disbursements	18,875		18,875
Total Non-Operating Cash Disbursements	<u>39,802</u>	<u>0</u>	<u>39,802</u>
Net Receipts Over/(Under) Disbursements	5,592	0	5,592
Fund Cash Balances, January 1	<u>411,578</u>	<u>112</u>	<u>411,690</u>
Fund Cash Balances, December 31	<u>\$417,170</u>	<u>\$112</u>	<u>\$417,282</u>

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lowellville, Mahoning County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and general governmental services including road maintenance, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village had no investments at December 31, 2008 and 2007. Funds are held in interest-bearing checking accounts.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF LOWELLVILLE
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining and repairing Village streets.

Senior Citizen Transportation Fund - This fund receives intergovernmental grant money to transport the Village's elderly

3. Debt Service Fund

This fund is used to accumulate resources for the payment of note indebtedness. The Village had the following debt service fund:

Note Retirement Fund - This fund receives property tax money for the payment of various debt instruments.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Recycling Grant Fund – This fund receives grant monies used to promote recycling in the Village.

5. Enterprise Funds

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

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

Sanitary Sewer Bond Fund - This fund receives charges for services from users of the sewer utility for the payment of various debt instruments.

6. Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other governments. The Village's agency fund is the Mayor's Court Fund which collects fines and court costs on behalf of the State of Ohio, the Village and other local jurisdictions.

**VILLAGE OF LOWELLVILLE
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$252,769	\$224,021
Public Funds MMA	<u>318,587</u>	<u>318,313</u>
Total Deposits	<u><u>\$571,356</u></u>	<u><u>\$542,334</u></u>

**VILLAGE OF LOWELLVILLE
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED DEPOSITS – (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts				
Fund Type	Budgeted Receipts	Actual Receipts	Variance	
General	\$570,487	\$562,627	(\$7,860)	
Special Revenue	103,795	107,998	4,203	
Debt Service	6,131	5,164	(967)	
Capital Projects	320,777	8,777	(312,000)	
Enterprise	308,760	306,638	(2,122)	
Total	\$1,309,950	\$991,204	(\$318,746)	

2009 Budgeted vs. Actual Budgetary Basis Expenditures				
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance	
General	\$569,986	\$567,018	\$2,968	
Special Revenue	105,147	102,416	2,731	
Debt Service	5,523	5,464	59	
Capital Projects	322,957	8,777	314,180	
Enterprise	279,718	278,507	1,211	
Total	\$1,283,330	\$962,182	\$321,148	

2008 Budgeted vs. Actual Receipts				
Fund Type	Budgeted Receipts	Actual Receipts	Variance	
General	\$490,425	\$603,354	\$112,929	
Special Revenue	183,391	176,532	(6,859)	
Debt Service	5,374	4,962	(412)	
Capital Projects	2,150	10,927	8,777	
Enterprise	330,957	312,313	(18,644)	
Total	\$1,012,297	\$1,108,088	\$95,791	

2008 Budgeted vs. Actual Budgetary Basis Expenditures				
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance	
General	\$620,232	\$583,772	\$36,460	
Special Revenue	190,548	189,521	1,027	
Debt Service	12,086	4,100	7,986	
Capital Projects	13,052	12,906	146	
Enterprise	843,126	306,721	536,405	
Total	\$1,679,044	\$1,097,020	\$582,024	

**VILLAGE OF LOWELLVILLE
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note - Fire Equipment	\$64,533	5.00%
Ohio Water Development Authority Loan	45,267	2.00%
Total	<u><u>\$109,800</u></u>	

The Ohio Water Development Authority (OWDA) Loan relates to sewer plant improvements mandated by the Ohio Environmental Protection Agency. The OWDA has approved \$171,352 for this project. The loan will be repaid in semiannual installments of \$4,388 including interest, over 15 - 25 years.

In exchange for treating its leachate, Allied Waste Industries (AWIN) has agreed to pay all the debt service on the OWDA Loan. AWIN's parent company has guaranteed such debt service payments.

The Fire Equipment Note was issued in 2007 to purchase various pieces of equipment for the volunteer fire department. The Fire Equipment Note is collateralized by the Village's taxing authority.

**VILLAGE OF LOWELLVILLE
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT – (Continued)

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

Year ending December 31:	General Obligation Note	OWDA Loan
2010	\$15,075	\$8,777
2011	15,075	8,777
2012	15,075	8,777
2013	15,075	8,777
2014	12,106	8,777
Subsequent		4,387
Total	\$72,406	\$48,272

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. RISK POOL MEMBERSHIP

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

**VILLAGE OF LOWELLVILLE
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK POOL MEMBERSHIP – (Continued)

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members’ Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

9. CONTINGENT LIABILITIES

The Village entered into a contract for construction relating to flood abatement of its waste water treatment plant. The Village financed the project through a loan from the Water Pollution Control Loan Fund which included assistance from ARRA funds. As of December 31, 2009 OWDA had encumbered \$179,475 for construction management and design of the project. Of this amount, \$134,606.25 was principal forgiven by application of ARRA funding. The remaining balance will be converted to a 20 year loan payable twice each year.

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

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Mary Taylor, CPA

Auditor of State

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

Village of Lowellville
Mahoning County
P.O. Box 124
Lowellville, Ohio 44436

To the Village Council:

We have audited the financial statements of the Village of Lowellville, Mahoning County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 30, 2010 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We qualified our report on the Proprietary Fund Type, Enterprise Fund because certain information related to the sewer billings' revenues was not available for audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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*.

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

We intend this report solely for the information and use of management, the Village Council and others within the Village. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 30, 2010

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness

Sewer Billings and Collections

The Village has outsourced the processing of customer sewer billings and collections, which is a significant accounting function, to a third party administrator. The Village has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that sewer billings and collections have been completely and accurately processed in accordance with the contract between the Village and the third party administrator. The sewer collections are reported in the Village's financial statements as Enterprise Funds' charges for services for 2009 and 2008 in the amounts of \$156,655 and \$157,002 respectively.

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS 70 should provide the Village with reasonable assurance that water and sewer billings and collections conform to their contract with the third party administrator.

We recommend the Village require a Type Two SAS 70 report in its contract with the third party administrator. The Village should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third party administrator refuses to furnish the Village with a Type Two SAS 70 report, we recommend the Village contract with a third party administrator that will provide this report. As an alternative to a SAS 70 report, the Village may monitor billings and collections its administrator processes.

The Village can monitor these billings and collections by obtaining standing data from the service organization, including the names and addresses of the people being billed. The Village should assign personnel to review the standing data to ensure residents of the Village that should be charged for sewer usage are being charged. The Village should also request billing information from the service organization to ensure correct rates are being applied and are being calculated properly according to usage.

We did not receive a response from Officials to this finding.

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**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	The Village did not establish procedures to determine whether their service organization that processes sewer billing and collections had sufficient accounting controls in place and operating effectively.	No	Repeated as Finding Number 2009-001 in the accompanying schedule of findings.

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Dave Yost • Auditor of State

VILLAGE OF LOWELLVILLE

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 22, 2011