



Dave Yost • Auditor of State

VILLAGE OF LOWELLVILLE
MAHONING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
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, 2011	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	7
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, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21
Schedule of Prior Audit Findings	23

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Dave Yost • Auditor of State

Village of Lowellville
Mahoning County
140 East Liberty Street, 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 30, 2012

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Dave Yost • 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, 2011 and 2010. 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* 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(A) mandates 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 Government'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, 2011 and 2010 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, 2011 and 2010, 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' receipts. Those receipts represent 100% of the operating cash receipts reported in 2011 and 100% of the cash operating receipts reported in 2010 within the Proprietary Fund Type, Enterprise Fund.

In our opinion, except for the effects of adjustments, if any, as might have been necessary had we been able to examine 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, 2011 and 2010, and its combined 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 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, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Village of Lowellville adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The Village also 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 April 30, 2012, 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.



Dave Yost
Auditor of State

April 30, 2012

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$89,159	\$9,128	\$3,629		\$101,916
Municipal Income Tax	386,675				386,675
Intergovernmental	44,642	71,225		\$173,209	289,076
Special Assessments				13,166	13,166
Charges for Services	160,332				160,332
Fines, Licenses and Permits	22,893	700			23,593
Earnings on Investments	160	14			174
Miscellaneous		1,710			1,710
<i>Total Cash Receipts</i>	<u>703,861</u>	<u>82,777</u>	<u>3,629</u>	<u>186,375</u>	<u>976,642</u>
Cash Disbursements					
Current:					
Security of Persons and Property	324,925				324,925
Public Health Services	4,531				4,531
Community Environment	4,196			1,870	6,066
Transportation	82,635	82,939			165,574
General Government	179,451	631			180,082
Capital Outlay	63,600	1,258	247	170,221	235,326
Debt Service:					
Principal Retirement	11,070		4,716	7,949	23,735
Interest and Fiscal Charges	2,749		1,217	828	4,794
<i>Total Cash Disbursements</i>	<u>673,157</u>	<u>84,828</u>	<u>6,180</u>	<u>180,868</u>	<u>945,033</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,704</u>	<u>(2,051)</u>	<u>(2,551)</u>	<u>5,507</u>	<u>31,609</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	66,254				66,254
Transfers In		8,000			8,000
Transfers Out	(8,000)				(8,000)
Other Financing Uses	(86,917)				(86,917)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(28,663)</u>	<u>8,000</u>	<u>0</u>	<u>0</u>	<u>(20,663)</u>
<i>Net Change in Fund Cash Balances</i>	2,041	5,949	(2,551)	5,507	10,946
<i>Fund Cash Balances, January 1</i>	<u>90,553</u>	<u>9,531</u>	<u>7,207</u>	<u>648</u>	<u>107,939</u>
Fund Cash Balances, December 31					
Restricted		14,919		6,153	21,072
Committed		560			560
Assigned			4,656		4,656
Unassigned (Deficit)	92,594	1		2	92,597
<i>Fund Cash Balances, December 31</i>	<u>\$92,594</u>	<u>\$15,480</u>	<u>\$4,656</u>	<u>\$6,155</u>	<u>\$118,885</u>

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$169,773		\$169,773
Fines, Licenses and Permits		\$8,735	8,735
<i>Total Operating Cash Receipts</i>	<u>169,773</u>	<u>8,735</u>	<u>178,508</u>
Operating Cash Disbursements			
Personal Services	82,632		82,632
Employee Fringe Benefits	44,206		44,206
Contractual Services	148,791		148,791
Supplies and Materials	32,904		32,904
Other	159	8,735	8,894
<i>Total Operating Cash Disbursements</i>	<u>308,692</u>	<u>8,735</u>	<u>317,427</u>
<i>Operating Income (Loss)</i>	<u>(138,919)</u>	<u>0</u>	<u>(138,919)</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	153		153
Intergovernmental	40,000		40,000
Capital Outlay	(52,556)		(52,556)
Principal Retirement	(1,122)		(1,122)
Other Financing Sources	164,743		164,743
Other Financing Uses	(4,472)		(4,472)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>146,746</u>	<u>0</u>	<u>146,746</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>7,827</u>	<u>0</u>	<u>7,827</u>
<i>Net Change in Fund Cash Balances</i>	7,827	0	7,827
<i>Fund Cash Balances, January 1</i>	<u>463,059</u>	<u>112</u>	<u>463,171</u>
<i>Fund Cash Balances, December 31</i>	<u>\$470,886</u>	<u>\$112</u>	<u>\$470,998</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, 2010**

	<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	\$102,370	\$8,899	\$4,499		\$115,768
Municipal Income Tax	305,405				305,405
Intergovernmental	40,355	92,620		\$214,133	347,108
Special Assessments				8,777	8,777
Charges for Services	65,692				65,692
Fines, Licenses and Permits	21,588	670			22,258
Earnings on Investments	168	15			183
Miscellaneous	26,464	839			27,303
Total Cash Receipts	<u>562,042</u>	<u>103,043</u>	<u>4,499</u>	<u>222,910</u>	<u>892,494</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	329,080				329,080
Public Health Services	4,561				4,561
Community Environment	3,825				3,825
Transportation	45,330	88,259			133,589
General Government	187,546	1,482	63		189,091
Debt Service:					
Redemption of Principal	12,077			7,871	19,948
Interest and Fiscal Charges	2,998			905	3,903
Capital Outlay	64,440	24,125		226,582	315,147
Total Cash Disbursements	<u>649,857</u>	<u>113,866</u>	<u>63</u>	<u>235,358</u>	<u>999,144</u>
Total Receipts Over/(Under) Disbursements	<u>(87,815)</u>	<u>(10,823)</u>	<u>4,436</u>	<u>(12,448)</u>	<u>(106,650)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In		7,177		11,748	18,925
Transfers-Out	(18,749)	(176)			(18,925)
Other Financing Sources	88,609				88,609
Total Other Financing Receipts / (Disbursements)	<u>69,860</u>	<u>7,001</u>	<u>0</u>	<u>11,748</u>	<u>88,609</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,955)	(3,822)	4,436	(700)	(18,041)
Fund Cash Balances, January 1	108,508	13,353	2,771	1,348	125,980
Fund Cash Balances, December 31	<u><u>\$90,553</u></u>	<u><u>\$9,531</u></u>	<u><u>\$7,207</u></u>	<u><u>\$648</u></u>	<u><u>\$107,939</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$170,428		\$170,428
Fines, Licenses and Permits		\$6,625	6,625
Total Operating Cash Receipts	<u>170,428</u>	<u>6,625</u>	<u>177,053</u>
Operating Cash Disbursements:			
Personal Services	74,784		74,784
Employee Fringe Benefits	37,947		37,947
Contractual Services	121,465		121,465
Supplies and Materials	25,515		25,515
Other	300	6,625	6,925
Total Operating Cash Disbursements	<u>260,011</u>	<u>6,625</u>	<u>266,636</u>
Operating Income/(Loss)	<u>(89,583)</u>	<u>0</u>	<u>(89,583)</u>
Non-Operating Cash Receipts:			
Intergovernmental	94,607		94,607
Earnings on Investments	473		473
OWDA Loan	23,787		23,787
Other Non-Operating Cash Receipts	150,326		150,326
Total Non-Operating Cash Receipts	<u>269,193</u>	<u>0</u>	<u>269,193</u>
Non-Operating Cash Disbursements:			
Capital Outlay	160,469		160,469
Redemption of Principal	1,122		1,122
Other Non-Operating Cash Disbursements	260		260
Total Non-Operating Cash Disbursements	<u>161,851</u>	<u>0</u>	<u>161,851</u>
Net Receipts Over/(Under) Disbursements	17,759	0	17,759
Fund Cash Balances, January 1	<u>445,300</u>	<u>112</u>	<u>445,412</u>
Fund Cash Balances, December 31	<u>\$463,059</u>	<u>\$112</u>	<u>\$463,171</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, 2011 AND 2010**

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, 2011 and 2010. Funds are held in interest bearing checking accounts.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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:

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant 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 fund:

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 government. 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.

E. Budgetary Process

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

G. 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.

H. 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:

	2011	2010
Demand deposits	\$230,630	\$212,028
Public Funds MMA	359,253	359,082
Total deposits	\$589,883	\$571,110

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$689,178	\$770,115	\$80,937
Special Revenue	89,822	90,777	955
Debt Service	10,185	3,629	(6,556)
Capital Projects	176,717	186,375	9,658
Enterprise	389,327	374,669	(14,658)
Total	\$1,355,229	\$1,425,565	\$70,336

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$832,689	\$768,074	\$64,615
Special Revenue	91,802	84,828	6,974
Debt Service	6,433	6,180	253
Capital Projects	182,466	180,868	1,598
Enterprise	814,916	366,842	448,074
Total	\$1,928,306	\$1,406,792	\$521,514

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$733,124	\$650,651	(\$82,473)
Special Revenue	105,205	110,220	5,015
Debt Service	9,034	4,499	(4,535)
Capital Projects	247,620	234,658	(12,962)
Enterprise	753,493	439,621	(313,872)
Total	\$1,848,476	\$1,439,649	(\$408,827)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$702,362	\$668,606	\$33,756
Special Revenue	117,093	114,042	3,051
Debt Service	100	63	37
Capital Projects	248,007	235,358	12,649
Enterprise	614,265	421,862	192,403
Total	\$1,681,827	\$1,439,931	\$241,896

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 levied a municipal income tax of 1.5 percent for 2010 and 2.0 percent for 2011 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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan No. 2775	\$29,367	2.0%
General Obligation Note	120,507	3.8%
Lease Purchase	21,186	4.7%
Ohio Water Development Authority Loan No. 5480	21,544	0.0%
Total	<u>\$192,604</u>	

The Ohio Water Development Authority (OWDA) loan number 2775 relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA has approved a total of \$171,352 to the Village for this project. In exchange for the Village treating its leachate, Allied Waste Industries (AWIN) has agreed to pay all of the debt service on this OWDA loan. AWIN's parent company has guaranteed such debt service payments.

The Ohio Water Development Authority (OWDA) loan number 5480 pertains to a wastewater treatment plant flooding abatement project. The OWDA has approved a total of \$158,394 to the Village for this project. Of this amount, \$134,606 included American Recovery and Reinvestment Act (ARRA) monies which the Village is not required to pay back. The remaining portion of \$23,787 to finance the project will be a loan to be paid in semi-annual installments for a period of twenty years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT – (Continued)

The general obligation note was issued in 2007 to purchase various pieces of equipment for the volunteer fire department. This note was refinanced in 2011 for an additional \$66,254 to purchase a street department truck. The Village's taxing authority collateralized the note.

The Village also entered into a lease purchase agreement for a police cruiser.

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

Year ending December 31:	OWDA Loan 5480	OWDA Loan 2775	Lease Purchase	General Obligation Note
2012	\$1,189	\$4,388	\$5,933	\$26,465
2013	1,189	8,777	5,933	26,465
2014	1,189	8,777	5,933	26,465
2015	1,189	8,777	5,933	26,465
2016	1,189			26,465
2017-2021	5,947			
2022-2026	5,947			
2027-2030	3,705			
Total	<u>\$21,544</u>	<u>\$30,719</u>	<u>\$23,732</u>	<u>\$132,325</u>

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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

8. RISK POOL MEMBERSHIP

Prior to 2009, the Village belonged 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 was legally separate from its member governments.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK POOL MEMBERSHIP – (Continued)

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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 retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) 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 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan 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 65 and 60 members as of December 31, 2010 and 2009 respectively. 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.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK POOL MEMBERSHIP – (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

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Dave Yost • 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, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 30, 2012 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, and wherein we noted the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Government 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* 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(A) mandates the Auditor of State to audit Ohio governments. Except for a restriction on the scope of our audit related to sewer billings' receipts reported within the Proprietary Fund Type, Enterprise Fund, 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 the purpose of 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 a certain deficiency 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 a 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 2011-01 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*.

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



Dave Yost
Auditor of State

April 30, 2012

VILLAGE OF LOWELLVILLE
MAHONING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011

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

FINDING NUMBER 2011-01

Material Weakness

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 2011 and 2010 in the amounts of \$169,773 and \$170,428, respectively.

Statement of Standards for Attestation Engagements No. 16 Reporting on Controls at a Service Organization (SSAE No. 16), 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 SSAE No. 16 should provide the Village with reasonable assurance that sewer billings and collections conform to their contract with the third party administrator.

We recommend the Village require a Type Two SSAE No. 16 report in its contract with the third party administrator. The Village should review the SSAE No. 16 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered 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 SSAE No. 16 report, we recommend the Village contract with a third party administrator that will provide this report. As an alternative to a SSAE No. 16 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.

Officials' Response

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, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	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 2011-01 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
JUNE 19, 2012**