



Dave Yost • Auditor of State

VILLAGE OF LOWELL
WASHINGTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Lowell
Washington County
308 Walnut Street
P.O. Box 337
Lowell, Ohio 45744-0337

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lowell, Washington County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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.

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 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.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During 2014, the Fiscal Officer improperly posted the Washington County distribution of 34% Township road funds to the General Fund instead of allocating to the appropriate Special Revenue Funds, in the amount of \$4,208. The effect of this 2014 misposting would decrease the General Fund cash balance by \$4,208 and increase the Special Revenue fund type cash fund balance by \$4,208. The Village has declined to make this adjustment.

During 2015, the Fiscal Officer improperly posted the Washington County distribution of 34% Township road funds to the General Fund instead of allocating to the appropriate Special Revenue Funds, in the amount of \$5,257. The effect of the unposted 2014 adjustment, in the amount of \$4,208 and the unposted 2015 adjustment, in the amount of \$5,257 would have the cumulative effect of decreasing the 2015 General Fund cash fund balance by \$9,465 and increasing the Special Revenue Fund cash fund balance by \$9,465. The Village has declined to make these adjustments.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of the Village of Lowell, Washington County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 9, 2016

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**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$25,128	\$1,238	\$26,366
Intergovernmental	20,989	18,963	39,952
Fines, Licenses and Permits	108	0	108
Earnings on Investments	121	10	131
Miscellaneous	20,305	0	20,305
<i>Total Cash Receipts</i>	<u>66,651</u>	<u>20,211</u>	<u>86,862</u>
Cash Disbursements			
Current:			
Security of Persons and Property	12,463	0	12,463
Public Health Services	1,586	0	1,586
Leisure Time Activities	7,618	0	7,618
Transportation	0	9,623	9,623
General Government	29,423	0	29,423
<i>Total Cash Disbursements</i>	<u>51,090</u>	<u>9,623</u>	<u>60,713</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>15,561</u>	<u>10,588</u>	<u>26,149</u>
Other Financing Receipts (Disbursements)			
Transfers Out	(502)	0	(502)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(502)</u>	<u>0</u>	<u>(502)</u>
<i>Net Change in Fund Cash Balances</i>	15,059	10,588	25,647
<i>Fund Cash Balances, January 1</i>	<u>34,036</u>	<u>49,023</u>	<u>83,059</u>
Fund Cash Balances, December 31			
Restricted	0	59,603	59,603
Committed	0	8	8
Assigned	15,407	0	15,407
Unassigned (Deficit)	33,688	0	33,688
<i>Fund Cash Balances, December 31</i>	<u>\$49,095</u>	<u>\$59,611</u>	<u>\$108,706</u>

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type <u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$211,254
<i>Total Operating Cash Receipts</i>	<u>211,254</u>
Operating Cash Disbursements	
Personal Services	99,520
Employee Fringe Benefits	16,289
Contractual Services	33,096
Supplies and Materials	47,976
Other	2,500
<i>Total Operating Cash Disbursements</i>	<u>199,381</u>
<i>Operating Income (Loss)</i>	<u>11,873</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	18,646
Miscellaneous Receipts	4,351
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>22,997</u>
<i>Income (Loss) before Transfers</i>	34,870
Transfers In	<u>502</u>
<i>Net Change in Fund Cash Balances</i>	35,372
<i>Fund Cash Balances, January 1</i>	<u>184,747</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$220,119</u></u>

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,335	\$1,280	\$22,615
Intergovernmental	19,819	19,717	39,536
Fines, Licenses and Permits	212	0	212
Earnings on Investments	168	7	175
Miscellaneous	14,821	463	15,284
<i>Total Cash Receipts</i>	<u>56,355</u>	<u>21,467</u>	<u>77,822</u>
Cash Disbursements			
Current:			
Security of Persons and Property	13,548	0	13,548
Public Health Services	2,139	0	2,139
Leisure Time Activities	2,495	0	2,495
Transportation	0	15,960	15,960
General Government	28,218	0	28,218
<i>Total Cash Disbursements</i>	<u>46,400</u>	<u>15,960</u>	<u>62,360</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,955</u>	<u>5,507</u>	<u>15,462</u>
Other Financing Receipts (Disbursements)			
Transfers Out	(93)	0	(93)
Other Financing Uses	(67)	0	(67)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(160)</u>	<u>0</u>	<u>(160)</u>
<i>Net Change in Fund Cash Balances</i>	9,795	5,507	15,302
<i>Fund Cash Balances, January 1</i>	<u>24,241</u>	<u>43,516</u>	<u>67,757</u>
Fund Cash Balances, December 31			
Restricted	0	49,015	49,015
Committed	0	8	8
Assigned	13,352	0	13,352
Unassigned (Deficit)	20,684	0	20,684
<i>Fund Cash Balances, December 31</i>	<u>\$34,036</u>	<u>\$49,023</u>	<u>\$83,059</u>

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type <u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$190,361
<i>Total Operating Cash Receipts</i>	<u>190,361</u>
Operating Cash Disbursements	
Personal Services	100,732
Employee Fringe Benefits	21,305
Contractual Services	33,969
Supplies and Materials	49,216
Other	1,785
<i>Total Operating Cash Disbursements</i>	<u>207,007</u>
<i>Operating Income (Loss)</i>	<u>(16,646)</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	21,934
Miscellaneous Receipts	1,431
Other Financing Uses	<u>(74)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>23,291</u>
<i>Income (Loss) before Transfers</i>	6,645
Transfers In	<u>93</u>
<i>Net Change in Fund Cash Balances</i>	6,738
<i>Fund Cash Balances, January 1</i>	<u>178,009</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$184,747</u></u>

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 Lowell, Washington County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations and police services.

The Village participates in the Ohio Plan Risk Management, Inc. Note 6 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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 values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

Swimming Pool Fund – This fund receives charges for services from patrons to cover operation costs of the Village swimming pool.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments.

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 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 reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into four 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. 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.

2. 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.

3. 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.

4. 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.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2015	2014
Demand deposits	\$278,825	\$168,385
Certificates of deposit	50,000	50,000
Total deposits	328,825	218,385
STAR Ohio	0	49,421
Total investments	0	49,421
Total deposits and investments	\$328,825	\$267,806

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,965	\$66,651	\$7,686
Special Revenue	21,192	20,211	(981)
Enterprise	216,216	234,753	18,537
Total	\$296,373	\$321,615	\$25,242

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,316	\$51,592	\$20,724
Special Revenue	53,716	9,623	44,093
Enterprise	228,275	199,381	28,894
Total	\$354,307	\$260,596	\$93,711

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,019	\$56,355	(\$7,664)
Special Revenue	28,628	21,467	(7,161)
Enterprise	200,652	213,819	13,167
Total	\$293,299	\$291,641	(\$1,658)

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,016	\$46,560	\$25,456
Special Revenue	54,348	15,960	38,388
Enterprise	218,690	207,081	11,609
Total	\$345,054	\$269,601	\$75,453

Contrary to Ohio Rev. Code § 5705.41(B), expenditures exceeded appropriations at December 31, 2015 and 2014 in the Swimming Pool Fund, Special Revenue fund type, in the amounts \$18,924 and \$29,208, respectively.

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.

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

5. Retirement Systems

A. Ohio Public Employees Retirement System

Several of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2015 and 2014, members of OPERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

B. Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

For 2015 and 2014 employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

6. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. Risk Management (Continued)

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 § 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.

OPRM coverage programs 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 and 783 members as of December 31, 2015 and 2014 respectively.

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 equity at December 31, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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



Dave Yost • Auditor of State

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

Village of Lowell
Washington County
308 Walnut Street
P.O. Box 337
Lowell, Ohio 43744-0337

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 financial statements of the cash balances, receipts and disbursements by fund type of the Village of Lowell, Washington County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 9, 2016, wherein we noted the Village followed financial reporting provisions of Ohio Rev. Code § 117.38 and the Ohio Administrative Code § 117-2-03(D) permit. In addition, we issued an adverse opinion on the 2015 and 2014 regulatory financial statements due to the Village declining to make adjustments for mispostings.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 to be material weaknesses.

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, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2015-001.

Village's Response to Findings

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

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 9, 2016

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

At December 31, 2015 and 2014, expenditures exceeded appropriations in the Swimming Pool Fund by \$18,924 and \$29,208, respectively. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2015-002

Finding for Adjustment/Material Weakness

The Village should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Village should have procedures in place for a review of transactions posted by the Fiscal Officer.

As a result of audit procedures performed, misclassifications/adjustments were noted in the Village's financial statements that required adjustment for 2015:

- The Fiscal Officer posted the Washington County distribution of 34% township road funds in the amount of \$5,257 to General Fund taxes instead of split between intergovernmental in the Street Construction, Maintenance & Repair Fund and the State Highway Fund, in the amounts of \$4,863 and \$394, respectively. Management declined to make this adjustment.
- The Fiscal Officer misclassified Summer Youth Program receipts from the Washington County Department of Job and Family Services to Swimming Pool Fund miscellaneous instead of intergovernmental in the amount of \$18,646. Management made this adjustment to their financial statements.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified as follows: GASB Cod. 1800.176 requires reporting year-end General Fund balances appropriated in the next fiscal year as Assigned.
 - The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting the excess as assigned, in the amount of \$15,406. Management made this adjustment to their financial statements.

As a result of audit procedures performed, misclassifications/adjustments were noted in the Village's financial statements that required adjustment for 2014:

- The Fiscal Officer posted the Washington County distribution of 34% township road funds in the amount of \$4,208 to General Fund taxes instead of split between intergovernmental in the Street Construction, Maintenance & Repair Fund and the State Highway Fund, in the amounts of \$3,892 and \$316, respectively. Management declined to make this adjustment.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 and 2014
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2015-002 (Continued)

Finding for Adjustment/Material Weakness (Continued)

- The Fiscal Officer misclassified Summer Youth Program receipts from the Washington County Department of Job and Family Services to Swimming Pool Fund miscellaneous instead of intergovernmental in the amount of \$22,963. Management made this adjustment to their financial statements.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified as follows: GASB Cod. 1800.176 requires reporting year-end General Fund balances appropriated in the next fiscal year as Assigned.
 - The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting the excess as assigned, in the amount of \$13,352. Management made this adjustment to their financial statements.

The adjustment and reclassification errors were due to limited oversight by management.

In accordance with the foregoing facts, we hereby issue a finding for adjustment in the amount of \$9,465 against the General fund in favor of the Street Construction, Maintenance and Repair Fund and the State Highway Fund in the amounts of \$8,755 and \$710, respectively.

Further, the Fiscal Officer should refer to the Village Officer's Handbook for proper receipt classification and refer to Auditor of State Bulletin 2011-004 to ensure the Village's accounting system and year-end financial statements are properly reported. In addition, the Village should create and approve a fund balance policy.

FINDING NUMBER 2015-003

Material Weakness

The Fiscal Officer posts legislatively approved budgetary amounts to the UAN accounting system at the beginning of the year and throughout the year as changes are required. Each month, the Fiscal Officer provides Council with a financial report package, which includes the Revenue and Appropriation Summary reports. The financial report package is approved each month by the Council.

At December 31, 2015, appropriations, as approved by the Council, did not agree to the appropriations posted by the Fiscal Officer in the UAN budgetary accounting system as follows:

Fund	Appropriations per Village Council	Appropriations per UAN Ledgers	Variance
General	\$72,316	\$73,979	(\$1,663)
Street Construction Maintenance and Repair	40,258	40,458	(200)
Water Operating	101,473	102,023	(550)
Sewer Operating	107,221	125,406	(18,185)
Swimming Pool	16,082	35,260	(19,178)
Advance Water Deposits	3,500	4,000	(500)

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 and 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-003 (Continued)

Material Weakness (Continued)

At December 31, 2014, estimated receipts, as approved by the Budget Commission, did not agree to the estimated receipts posted by the Fiscal Officer in the UAN budgetary accounting system as follows:

Fund	Estimated Receipts per Budget Commission	Estimated Receipts per UAN Ledgers	Variance
Street Construction Maintenance and Repair	\$26,013	\$25,773	\$240
State Highway	1,543	1,608	(65)
Water Operating	67,870	67,450	420
Swimming Pool	31,651	40,841	(9,190)

At December 31, 2014, appropriations, as approved by the Council, did not agree to the appropriations posted by the Fiscal Officer in the UAN budgetary accounting system as follows:

Fund	Appropriations per Village Council	Appropriations per UAN Ledgers	Variance
General	\$72,016	\$74,596	(\$2,580)
Street Construction Maintenance and Repair	40,158	40,524	(366)
State Highway	4,210	4,275	(65)
Water Operating	99,568	103,707	(4,139)
Sewer Operating	99,541	112,911	(13,370)
Swimming Pool	16,082	47,481	(31,399)

As a result of these improper budgetary postings, the Budget vs Actual note disclosures prepared by the Village as part of the financial reporting package at year end in 2015 and 2014 did not agree to the legislatively approved amounts. The Village's oversight control of Council reviewing the Revenue and Appropriation Summary reports each month did not identify the error in misposting of estimated receipts and appropriations. The Village made adjusting entries to the 2014 and 2015 Budget vs Actual note disclosures to properly report the estimated receipts and appropriations.

The Fiscal Officer should accurately post estimated receipts as approved by the Budget Commission and appropriations as approved by the Council into the accounting system. The Council should review the budgetary postings in the reports provided to them monthly to ensure the accuracy of the postings made by the Fiscal Officer. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response:

VILLAGE OF LOWELL
WASHINGTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 and 2014

Finding Number	Finding Summary	Status	Additional Information
2013-001	During 2013 and 2012 receipts, disbursements and fund balances were not always posted or classified correctly.	Not Corrected	Reissued as Finding Number 2015-002.



Dave Yost • Auditor of State

VILLAGE OF LOWELL

WASHINGTON 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
DECEMBER 29, 2016