



**Auditor of State
Betty Montgomery**

VILLAGE OF LOWELL
WASHINGTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lowell
Washington County
P.O. Box 337
Lowell, Ohio 45744

To the Village Council:

We have audited the accompanying financial statements of the Village of Lowell, Washington County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

The Village's financial transactions were processed using 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 conduct the audit of 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Lowell, Washington County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2004 on our consideration of the Governments internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Lowell
Washington County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 29, 2004

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$11,530	\$	\$11,530
Intergovernmental Receipts	55,847	20,795	76,642
Charges for Services	5		5
Fines, Licenses, and Permits	1,017		1,017
Earnings on Investments	2,095	30	2,125
Miscellaneous	7,898	98	7,996
	<u>78,392</u>	<u>20,923</u>	<u>99,315</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	26,245		26,245
Public Health Services	1,142		1,142
Leisure Time Activities	3,102		3,102
Community Environment		150	150
Transportation		11,762	11,762
General Government	53,859		53,859
Capital Outlay		9,563	9,563
	<u>84,348</u>	<u>21,475</u>	<u>105,823</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(5,956)</u>	<u>(552)</u>	<u>(6,508)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		1,442	1,442
Transfers-Out	(6,280)	(1,362)	(7,642)
Advances-In		4,150	4,150
Advances-Out	(4,150)		(4,150)
Other Financing Sources	2,705	9,432	12,137
Other Financing Uses	(1,257)	(70)	(1,327)
	<u>(8,982)</u>	<u>13,592</u>	<u>4,610</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,938)	13,040	(1,898)
Fund Cash Balances, January 1	46,668	10,619	57,287
Fund Cash Balances, December 31	<u>\$31,730</u>	<u>\$23,659</u>	<u>\$55,389</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$123,355
Total Operating Cash Receipts	123,355
Operating Cash Disbursements:	
Personal Services	56,592
Fringe Benefits	10,133
Contractual Services	24,094
Supplies and Materials	36,219
Capital Outlay	3,232
Miscellaneous	3,625
Total Operating Cash Disbursements	133,895
Operating Income/(Loss)	(10,540)
Non-Operating Cash Receipts:	
Special Assessments	69,553
Total Non-Operating Cash Receipts	69,553
Non-Operating Cash Disbursements:	
Debt Service	64,594
Other Non-Operating Cash Disbursements	352
Total Non-Operating Cash Disbursements	64,946
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(5,933)
Transfers-In	6,200
Advances-In	5,000
Advances-Out	(5,000)
Net Receipts Over/(Under) Disbursements	267
Fund Cash Balances, January 1	161,067
Fund Cash Balances, December 31	\$161,334
Reserve for Encumbrances, December 31	\$0

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$11,348	\$	\$	\$11,348
Intergovernmental Receipts	59,632	22,947	41,125	123,704
Fines, Licenses, and Permits	908			908
Earnings on Investments	3,894	77		3,971
Miscellaneous	5,484	179		5,663
Total Cash Receipts	81,266	23,203	41,125	145,594
Cash Disbursements:				
Current:				
Security of Persons and Property	25,788			25,788
Public Health Services	981			981
Leisure Time Activities	3,061			3,061
Community Environment		2,200		2,200
Transportation		21,949		21,949
General Government	52,642			52,642
Capital Outlay	465	2,025	41,125	43,615
Total Cash Disbursements	82,937	26,174	41,125	150,236
Total Cash Receipts Over/(Under) Cash Disbursements	(1,671)	(2,971)	0	(4,642)
Other Financing Receipts/(Disbursements):				
Other Financing Sources	3,321			3,321
Other Financing Uses	(3,682)	(500)		(4,182)
Total Other Financing Receipts/(Disbursements)	(361)	(500)	0	(861)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,032)	(3,471)	0	(5,503)
Fund Cash Balances, January 1	48,700	14,090	0	62,790
Fund Cash Balances, December 31	\$46,668	\$10,619	\$0	\$57,287
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$131,058
Miscellaneous	158
	131,216
Total Operating Cash Receipts	131,216
Operating Cash Disbursements:	
Personal Services	63,511
Fringe Benefits	10,420
Contractual Services	26,642
Supplies and Materials	57,955
Capital Outlay	5,017
Miscellaneous	3,997
	167,542
Total Operating Cash Disbursements	167,542
Operating Income/(Loss)	(36,326)
Non-Operating Cash Receipts:	
Special Assessments	67,692
Other Non-Operating Cash Receipts	102
	67,794
Total Non-Operating Cash Receipts	67,794
Non-Operating Cash Disbursements:	
Debt Service	67,412
Other Non-Operating Cash Disbursements	4,383
	71,795
Total Non-Operating Cash Disbursements	71,795
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(40,327)
Advances-In	28,700
Advances-Out	(28,700)
	(40,327)
Net Receipts Over/(Under) Disbursements	(40,327)
Fund Cash Balances, January 1	201,394
Fund Cash Balances, December 31	\$161,067
Reserve for Encumbrances, December 31	\$784

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, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lowell, Washington County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including water and sewer utilities, park operations, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at share values reported by the mutual fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from 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 - This fund receives gasoline tax and motor vehicle license tax monies for constructing, maintaining and repairing Village streets.

Permissive License Tax Fund- This fund receives permissive license tax revenues for maintaining and repairing Village streets.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Fund:

OPWC Fund – This fund accounts for monies received from the Ohio Public Works Commission for street paving projects.

4. Enterprise Funds

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Utility Improvement Fund – This fund receives a monthly surcharge assessed to each customer in order to pay debt service on the Ohio Water Development Authority loan.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$101,465	\$102,217
Certificates of Deposit	60,000	60,000
Total deposits	161,465	162,217
STAROhio	55,258	56,137
Total deposits and investments	\$216,723	\$218,354

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

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002, follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,683	\$81,097	\$3,414
Special Revenue	42,154	31,797	(10,357)
Enterprise	194,725	199,108	4,383
Total	<u>\$314,562</u>	<u>\$312,002</u>	<u>(\$2,560)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,351	\$91,885	\$32,466
Special Revenue	51,331	22,907	28,424
Enterprise	354,168	198,841	155,327
Total	<u>\$529,850</u>	<u>\$313,633</u>	<u>\$216,217</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,033	\$84,587	(\$3,446)
Special Revenue	24,300	23,203	(1,097)
Capital Projects	41,125	41,125	0
Enterprise	177,500	199,010	21,510
Total	<u>\$330,958</u>	<u>\$347,925</u>	<u>\$16,967</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$136,733	\$86,619	\$50,114
Special Revenue	38,390	26,674	11,716
Capital Projects	41,125	41,125	0
Enterprise	426,895	240,121	186,774
Total	<u>\$643,143</u>	<u>\$394,539</u>	<u>\$248,604</u>

Contrary to Ohio law, the Township did not always obtain the Clerk's certification prior to incurring an obligation.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$431,841	8.26%

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer expansion project. The loan is being repaid in semiannual installments over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

	OWDA Loan
Year ending December 31:	
2004	\$30,889
2005	62,163
2006	62,579
2007	63,029
2008	63,516
2009-2013	326,422
Total	\$608,598

6. RETIREMENT SYSTEM

The Village's elected officials and employees belong to the 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.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEM (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 (latest information available) generally protect against individual losses over \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protects against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage. The Pool cedes reinsurances or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements. The Pool's financial statements (audited by othe auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31, 2002 and 2001 (the latest information available):

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained (deficit) earnings	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

The Village also provides health insurance coverage to full-time employees through a private carrier.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Lowell
Washington County
P.O. Box 337
Lowell, Ohio 45744

To the Village Council:

We have audited the accompanying financial statements of the Village of Lowell, Washington County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 29, 2004, wherein we noted that the Village's financial transactions were processed using 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 conduct the audit, of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 29, 2004.

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Village of Lowell
Washington County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Village Council, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 29, 2004

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

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

There are several exceptions to the standard requirement stated above: including: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the township can authorize the drawing of a warrant for the payment of the amount due. The township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.
2. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 26% of expenditures tested in 2003 and 13% of expenditures tested in 2002. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. There was no indication the Village used any of the aforementioned exceptions for any of the noncompliant transactions.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2002-001 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.



**Auditor of State
Betty Montgomery**

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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
JUNE 15, 2004**