

**VILLAGE OF LOWELL  
WASHINGTON COUNTY  
Regular Audit  
December 31, 2007 and 2006**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Lowell  
P.O. Box 337  
Lowell, Ohio 45744

We have reviewed the *Independent Accountants' Report* of the Village of Lowell, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lowell is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 20, 2008

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WASHINGTON COUNTY**

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***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

September 5, 2008

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

To the Mayor, Fiscal Officer, and Members of Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Village of Lowell, Washington County, Ohio**, (the Village) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village has prepared these financial statements and notes using the cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America (GAAP).

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, reserves for encumbrances, cash flows of business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Lowell, Washington County, Ohio**, as of December 31, 2007 and 2006, and the respective changes in cash financial position, cash flows, and the respective budgetary comparison for the General and Street Construction, Maintenance, and Repair Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

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Independent Accountants' Report  
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In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.



Village of Lowell, Washington County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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This discussion and analysis of the Village of Lowell's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007 within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2007 are as follows:

#### **Governmental Activities**

Net assets of governmental activities increased \$4,696, or 7.7%, from the prior year. The General Fund increased by \$9,941. The Street Construction, Maintenance, and Repair Fund decreased by \$6,904 and the other Governmental funds experienced an increase of \$1,659 (primarily due to receiving permissive motor vehicle tax revenue in 2007).

The Village's Governmental Activities receipts consisted primarily of property taxes and intergovernmental revenues. These receipts represent respectively \$12,568 and \$86,347, and 88.2% of the total cash received for governmental activities during the year. Property tax receipts for 2007 increased 1.3% from \$12,406 to \$12,568. Major expenses for the General Fund were street lighting and employee wages in 2007.

The Street Construction, Maintenance and Repair Fund expenses included shared projects related to waterline breaks on 4<sup>th</sup> & Franklin Streets (\$1,417), 3<sup>rd</sup> Street & St. Route 530 (\$892) and 3<sup>rd</sup> Street (\$1,013). Also, the street had major repairs to two ditches, one between Walnut & Fourth Street (\$7,435) and the second one between Market Street and Lowell Elementary (\$3,895).

#### **Business Activities**

The Village of Lowell has five enterprise funds: 1) Water Operating, 2) Sewer Operating, 3) First Mortgage OWDA User Fee, 4) Advanced Water Deposits and 5) Swimming Pool. The overall change in net assets for these funds was an increase of \$22,053, primarily in the Sewer Fund.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental Activities – Most of the Village's basic services are reported here, including police, streets, and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activity – The Village's business-type activity include the provision of water and sewer utilities and operating the swimming pool.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in Governmental funds. The Governmental fund financial statements provide a detailed view of the Village's Governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant Governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major Governmental funds are the General and Street Construction, Maintenance, and Repair Funds. The programs reported in Governmental funds are closely related to those reported in the Governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the Governmental fund financial statements.

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Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has five enterprise funds: Water Operating, Sewer Operating, First Mortgage OWDA User Fees, Swimming Pool, and Advanced Water Deposits Funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the Village-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village has no fiduciary funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Cash and Cash Equivalents	\$ 65,558	\$ 60,862	\$ 210,718	\$ 188,665	\$ 276,276	\$ 249,527
Total Assets	<u>\$ 65,558</u>	<u>\$ 60,862</u>	<u>\$ 210,718</u>	<u>\$ 188,665</u>	<u>\$ 276,276</u>	<u>\$ 249,527</u>
<b>Net Assets</b>						
Restricted for:						
Debt Service	-	-	104,057	100,648	104,057	100,648
Other Purposes	26,343	31,587	4,538	4,370	30,881	35,957
Unrestricted	39,215	29,275	102,123	83,647	141,338	112,922
Total Net Assets	<u>\$ 65,558</u>	<u>\$ 60,862</u>	<u>\$ 210,718</u>	<u>\$ 188,665</u>	<u>\$ 276,276</u>	<u>\$ 249,527</u>

The primary reasons contributing to the increases in cash balances are as follows:

- The General Fund increased by \$9,941 due to expenditures decreasing by \$14,019 as compared to the previous year while revenues stayed relatively the same. Half of the decrease in expenditures was related to the fact that the General Fund did not transfer any funds in 2007 to cover Pool obligations. In 2006, \$7,000 was transferred from General to Pool to cover remodeling/repair expenses.
- The Water Fund increased by \$5,968 due to expenditures decreasing by \$6,876 as compared to the previous year while revenues increased by \$7,105. This was due to cutbacks in spending and a 3% increase in water rates.
- The Sewer Fund increased by \$13,382 due to expenditures remaining relatively constant as compared to the previous year while revenue increased by \$2,108. This was due to cutbacks in spending, a 3% increase in sewer rates.

Table 2 on the following page reflects the changes in net assets in 2007. A comparative analysis will be presented.

Village of Lowell, Washington County  
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(Table 2)  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 344	\$ 750	\$ 150,909	\$ 142,346	\$ 151,253	\$ 143,096
Operating Grants and Contributions	28,406	25,917	-	4,000	28,406	29,917
Capital Grants and Contributions	-	-	66,681	68,875	66,681	68,875
<b>Total Program Receipts</b>	<b>28,750</b>	<b>26,667</b>	<b>217,590</b>	<b>215,221</b>	<b>246,340</b>	<b>241,888</b>
General Receipts:						
Property and Other Local Taxes	12,568	12,406	-	-	12,568	12,406
Grants and Entitlements Not Restricted to Specific Programs	57,942	61,712	-	-	57,942	61,712
Interest	7,227	5,767	-	-	7,227	5,767
Miscellaneous	5,624	7,110	-	-	5,624	7,110
<b>Total General Receipts</b>	<b>83,361</b>	<b>86,995</b>	<b>-</b>	<b>-</b>	<b>83,361</b>	<b>86,995</b>
<b>Total Receipts</b>	<b>112,111</b>	<b>113,662</b>	<b>217,590</b>	<b>215,221</b>	<b>329,701</b>	<b>328,883</b>
Disbursements:						
General Government	56,180	60,283	-	-	56,180	60,283
Security of Persons and Property	10,369	14,032	-	-	10,369	14,032
Public Health Services	1,763	2,204	-	-	1,763	2,204
Leisure Time Activities	2,431	6,243	-	-	2,431	6,243
Community Environment	751	570	-	-	751	570
Transportation	35,921	20,995	-	-	35,921	20,995
Water Operating	-	-	58,715	65,591	58,715	65,591
Sewer Operating	-	-	54,627	53,272	54,627	53,272
First Mortgage OWDA User Fees	-	-	63,272	62,803	63,272	62,803
Other Enterprise Funds	-	-	18,923	29,199	18,923	29,199
<b>Total Disbursements</b>	<b>107,415</b>	<b>104,327</b>	<b>195,537</b>	<b>210,865</b>	<b>302,952</b>	<b>315,192</b>
Excess (Deficiency) Before Transfers	4,696	9,335	22,053	4,356	26,749	13,691
Transfers	-	(7,000)	-	7,000	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>4,696</b>	<b>2,335</b>	<b>22,053</b>	<b>11,356</b>	<b>26,749</b>	<b>13,691</b>
Net Assets, January 1	60,862	58,527	188,665	177,309	249,527	235,836
<b>Net Assets December 31</b>	<b>\$ 65,558</b>	<b>\$ 60,862</b>	<b>\$ 210,718</b>	<b>\$ 188,665</b>	<b>\$ 276,276</b>	<b>\$ 249,527</b>

The Village assets increased by \$26,749 as compared to the prior year due to a decrease in expenditures while overall revenues increased due to an increase in water and sewer rates. Also, the Village's interest on investments increased by \$1,460. Overall, the Village is managing their operating expenses effectively.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Governmental activities. These include the costs of Council, Mayor and Clerk, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the park and playing fields; Community Environment promotes the Village to industry and commerce as well as working with other Villages in the area to attract new business; and Transportation is the cost of maintaining the roads.

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**Governmental Activities**

If you look at the "Statement of Activities" (attached), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for Governmental activities are for General Government, Transportation and Security of Persons and Property, which account for 52%, 33% and 10% of all Governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts that are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Total Cost of Services
	2007	2007	2006	2006
General Government	\$ 56,180	\$ (55,892)	\$ 60,283	\$ (60,138)
Security of Persons and Property	10,369	(10,369)	14,032	(14,032)
Public Health Services	1,763	(1,763)	2,204	(2,204)
Leisure Time Activities	2,431	(2,431)	6,243	(6,243)
Community Environment	751	(695)	570	35
Transportation	35,921	(7,515)	20,995	4,922
<b>Total Expenses</b>	<b>\$ 107,415</b>	<b>\$ (78,665)</b>	<b>\$ 104,327</b>	<b>\$ (77,660)</b>

The dependence upon property tax and intergovernmental receipts is apparent as all Governmental activities are supported through these general receipts.

**Business-Type Activities**

The Water Operating Fund currently services 301 users. Total receipts exceeded disbursements by \$5,968. The Village has approved an ordinance in 2005 to increase the water rates over the next three years.

The Sewer Operating Fund has 301 users. Sewer rates are calculated at 200% of water usage. The Sewer Fund receipts exceeded disbursements by \$13,382.

The Village has a debt for the sewer plant built in 1987 with the Ohio Water Development Authority. A twenty-dollar user's fee is collected from each sewer customer and is used to make the two semi-annual payments to the OWDA. The mortgage is scheduled to be repaid by July 1, 2013.

The Village swimming pool had disbursements that exceeded receipts in the amount of \$859. Prior carryover cash from operating grants and transfers from the General Fund were used to keep the fund solvent.

**The Village's Funds**

Total Governmental funds had receipts of \$112,111 and disbursements of \$107,415, netting an increase in cash of \$4,696.

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Cutting Police department spending is a less than ideal method to contain expenses. It was the recommendation of the finance/audit committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2008 including cuts in supplies and general operating expenses. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes becomes stagnant.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Actual receipts were slightly above budgeted receipts. Tax receipts were slightly above budgeted and Intergovernmental receipts slightly below budgeted. Interest on CDs exceeded the budgeted amount by \$4,523.

Final disbursements were budgeted at \$90,891, while actual disbursements were \$71,553. The Village kept spending below budgeted amounts in most instances.

**Capital Assets and Debt Administration**

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure. The plan to develop a Capital Assets Plan for the village should be an action item for 2009.

Debt

At December 31, 2007, the Village's only outstanding debt included \$288,258 principal balance for the First Mortgage OWDA sewer plant. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Contractual Obligations

The Board of Public Affairs entered into an agreement with the Friends of the Lower Muskingum River agency, accompanied with the Village of Beverly, the Tri-County Rural Water and Sewer District in Waterford, and the town of Devola to develop a source water protection plan for drinking water, reducing the nitrate levels. The Village of Lowell has committed \$22,500 to the project; \$7,736 in cash and \$14,764 in In-Kind Services to be provided by the Village. The agreement period is July 1, 2007 through June 30, 2011 or 12 quarters of cash payments of \$644.67/quarter.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funds. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2008; therefore, the finance committee and the administration maintained a very conservative approach when preparing the budget for 2008. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. We have reduced spending in departments where it would have the least impact on services. All departments have been asked to reduce their spending.

Village of Lowell, Washington County  
Management's Discussion and Analysis  
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Unaudited

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**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Taten Ayers, Fiscal Officer, Village of Lowell, P.O. Box 337, 308 Walnut Street, Lowell, OH 45744.

**Village of Lowell, Washington County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2007*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 65,558	\$ 210,718	\$ 276,276
<i>Total Assets</i>	<u>65,558</u>	<u>210,718</u>	<u>276,276</u>
<b>Net Assets</b>			
Restricted for:			
Debt Service	-	104,057	104,057
Other Purposes	26,343	4,538	30,881
Unrestricted	<u>39,215</u>	<u>102,123</u>	<u>141,338</u>
<i>Total Net Assets</i>	<u>\$ 65,558</u>	<u>\$ 210,718</u>	<u>\$ 276,276</u>

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



**Village of Lowell, Washington County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 10,369		\$ -	\$ -	\$ (10,369)	\$ -	\$ (10,369)
Public Health Services	1,763	-	-	-	(1,763)	-	(1,763)
Leisure Time Activities	2,431	-	-	-	(2,431)	-	(2,431)
Community Environment	751	56	-	-	(695)	-	(695)
Transportation	35,921		28,406	-	(7,515)	-	(7,515)
General Government	56,180	288	-	-	(55,892)	-	(55,892)
<i>Total Governmental Activities</i>	<u>107,415</u>	<u>344</u>	<u>28,406</u>	<u>-</u>	<u>(78,665)</u>	<u>-</u>	<u>(78,665)</u>
<b>Business Type Activities</b>							
Water Operating	58,715	64,683	-	-	-	5,968	5,968
Sewer Operating	54,627	68,009	-	-	-	13,382	13,382
Swimming Pool	16,825	15,967	-	-	-	(858)	(858)
First Mortgage OWDA	63,272	-	-	66,681	-	3,409	3,409
Advanced Water Deposits	2,098	2,250	-	-	-	152	152
<i>Total Business Type Activities</i>	<u>195,537</u>	<u>150,909</u>	<u>-</u>	<u>66,681</u>	<u>-</u>	<u>22,053</u>	<u>22,053</u>
<i>Total Primary Government</i>	<u>\$ 302,952</u>	<u>\$ 151,253</u>	<u>\$ 28,406</u>	<u>\$ 66,681</u>	<u>\$ (78,665)</u>	<u>\$ 22,053</u>	<u>\$ (56,612)</u>

	Net (Disbursements) Receipts and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts</b>			
Property Taxes	12,568	-	12,568
Grants and Entitlements not Restricted to Specific Programs	57,942	-	57,942
Earnings on Investments	7,227	-	7,227
Miscellaneous	5,624	-	5,624
<i>Total General Receipts</i>	<u>83,361</u>	<u>-</u>	<u>83,361</u>
Change in Net Assets	4,696	22,053	26,749
<i>Net Assets Beginning of Year</i>	<u>60,862</u>	<u>188,665</u>	<u>249,527</u>
<i>Net Assets End of Year</i>	<u>\$ 65,558</u>	<u>\$ 210,718</u>	<u>\$ 276,276</u>

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

**Village of Lowell, Washington County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2007*

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 39,215	\$ 21,164	\$ 5,179	\$ 65,558
<i>Total Assets</i>	<u>\$ 39,215</u>	<u>\$ 21,164</u>	<u>\$ 5,179</u>	<u>\$ 65,558</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	810	308	-	1,118
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	38,405	-	-	38,405
Special Revenue Funds	-	20,856	5,179	26,035
<i>Total Fund Balances</i>	<u>\$ 39,215</u>	<u>\$ 21,164</u>	<u>\$ 5,179</u>	<u>\$ 65,558</u>

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

**Village of Lowell, Washington County**  
*Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 12,568	\$ -	\$ -	\$ 12,568
Intergovernmental	55,960	26,340	4,047	86,347
Fines, Licenses, and Permits	344	-	-	344
Earnings on Investments	7,168	56	4	7,228
Miscellaneous	4,644	980	-	5,624
<i>Total Receipts</i>	<u>80,684</u>	<u>27,376</u>	<u>4,051</u>	<u>112,111</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	10,369	-	-	10,369
Public Health Services	1,763	-	-	1,763
Leisure Time Activities	2,431	-	-	2,431
Community Environment	-	-	751	751
Transportation	-	34,280	1,641	35,921
General Government	56,180	-	-	56,180
<i>Total Disbursements</i>	<u>70,743</u>	<u>34,280</u>	<u>2,392</u>	<u>107,415</u>
<i>Net Change in Fund Balances</i>	9,941	(6,904)	1,659	4,696
<i>Fund Balances Beginning of Year</i>	<u>29,274</u>	<u>28,068</u>	<u>3,520</u>	<u>60,862</u>
<i>Fund Balances End of Year</i>	<u>\$ 39,215</u>	<u>\$ 21,164</u>	<u>\$ 5,179</u>	<u>\$ 65,558</u>

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

**Village of Lowell, Washington County**  
*Statement of Receipts, Disbursements, and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 12,354	\$ 12,354	\$ 12,568	\$ 214
Intergovernmental	56,950	56,950	55,960	(990)
Fines, Licenses, and Permits	262	262	344	82
Earnings on Investments	2,645	2,645	7,168	4,523
Miscellaneous	7,494	7,494	4,644	(2,850)
<i>Total Receipts</i>	<u>79,705</u>	<u>79,705</u>	<u>80,684</u>	<u>979</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	18,000	17,791	10,369	7,422
Public Health Services	1,700	2,353	1,763	590
Leisure Time Activities	2,500	3,200	2,431	769
General Government	65,212	66,547	56,990	9,557
<i>Total Disbursements</i>	<u>87,412</u>	<u>89,891</u>	<u>71,553</u>	<u>18,338</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,707)</u>	<u>(10,186)</u>	<u>9,131</u>	<u>19,317</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,000)	(1,000)	-	1,000
Other Financing Uses	(1,950)	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(2,950)</u>	<u>(1,000)</u>	<u>-</u>	<u>1,000</u>
<i>Net Change in Fund Balance</i>	(10,657)	(11,186)	9,131	20,317
<i>Fund Balance Beginning of Year</i>	<u>29,112</u>	<u>29,112</u>	<u>29,112</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>162</u>	<u>162</u>	<u>162</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 18,617</u>	<u>\$ 18,088</u>	<u>\$ 38,405</u>	<u>\$ 20,317</u>

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

**Village of Lowell, Washington County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Street Construction, Maintenance and Repair Fund  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Receipts</b>				
Intergovernmental	\$ 24,308	\$ 24,308	\$ 26,340	\$ 2,032
Earnings on Investments	51	51	56	5
Miscellaneous	440	440	980	540
<i>Total Receipts</i>	<u>24,799</u>	<u>24,799</u>	<u>27,376</u>	<u>2,577</u>
<b>Disbursements</b>				
Current:				
Transportation	31,949	37,867	34,588	3,279
<i>Total Disbursements</i>	<u>31,949</u>	<u>37,867</u>	<u>34,588</u>	<u>3,279</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,150)</u>	<u>(13,068)</u>	<u>(7,212)</u>	<u>5,856</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	(2,000)	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(9,150)	(13,068)	(7,212)	5,856
<i>Fund Balance Beginning of Year</i>	<u>27,992</u>	<u>27,992</u>	<u>27,992</u>	<u>-</u>
Prior Year Encumbrances Appropriated	76	76	76	-
<i>Fund Balance End of Year</i>	<u>\$ 18,918</u>	<u>\$ 15,000</u>	<u>\$ 20,856</u>	<u>\$ 5,856</u>

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

**Village of Lowell, Washington County**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2007*

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>First Mort. OWDA User Fee</u>	<u>NonMajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 55,159	\$ 46,279	\$ 104,057	\$ 5,223	\$210,718
<i>Total Assets</i>	<u>55,159</u>	<u>46,279</u>	<u>104,057</u>	<u>5,223</u>	<u>210,718</u>
<b>Net Assets</b>					
Restricted for:					
Debt Service	-	-	104,057	-	104,057
Other Purposes	-	-	-	4,538	4,538
Unrestricted	55,159	46,279	-	685	102,123
<i>Total Fund Balances</i>	<u>\$ 55,159</u>	<u>\$ 46,279</u>	<u>\$104,057</u>	<u>\$5,223</u>	<u>\$210,718</u>

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

**Village of Lowell, Washington County**  
*Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances*  
*Proprietary Funds*  
*For the Year Ended December 31, 2007*

	Proprietary Fund Types				Total
	Water Operating	Sewer Operating	First Mortgage OWDA User Fee	Other Enterprise Funds	
<b>Operating Receipts</b>					
Charges for Services	\$ 64,683	\$ 68,009	\$ -	\$ 18,217	\$ 150,909
<i>Total Operating Receipts</i>	64,683	68,009	-	18,217	150,909
<b>Operating Disbursements</b>					
Personal Services	22,341	25,020	-	9,907	57,268
Employee Fringe Benefits	3,431	4,244	-	1,462	9,137
Contractual Services	17,358	17,320	-	-	34,678
Supplies and Materials	15,585	8,043	-	5,456	29,084
Other	-	-	-	2,098	2,098
<i>Total Operating Disbursements</i>	58,715	54,627	-	18,923	132,265
<i>Operating Income (Loss)</i>	5,968	13,382	-	(706)	18,644
<b>Non-Operating Receipts (Disbursements)</b>					
Special Assessments	-	-	66,681	-	66,681
Principal Payments	-	-	(40,275)	-	(40,275)
Interest and Fiscal Charges	-	-	(22,997)	-	(22,997)
<i>Total Non-Operating Receipts (Disbursements)</i>	-	-	3,409	-	3,409
<i>Net Change in Fund Balances</i>	5,968	13,382	3,409	(706)	22,053
<i>Fund Balances Beginning of Year</i>	49,191	32,896	100,649	5,929	188,665
<i>Fund Balances End of Year</i>	<u>\$ 55,159</u>	<u>\$ 46,278</u>	<u>\$ 104,058</u>	<u>\$ 5,223</u>	<u>\$ 210,718</u>

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

Village of Lowell, Washington County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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This discussion and analysis of the Village of Lowell's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006 within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2006 are as follows:

#### **Governmental Activities**

Net assets of governmental activities increased \$2,335, or 4%, from the prior year. The General Fund decreased \$3,018. The Street Construction, Maintenance, and Repair Fund increased by \$4,547 and the other governmental funds increased \$806.

The Village's receipts consist primarily of property taxes and intergovernmental revenues. These receipts represent \$12,406 and \$87,629, or 88% of the total cash received for governmental activities during the year. Property tax receipts decreased for 2006 compared to 2005. A major expense for the General Fund is street lighting which cost the village \$7,100 in 2006. In addition, transfers totaling \$7,000 were made to cover a major remodeling of the Village swimming pool.

The Street Construction, Maintenance, and Repair Fund expenses include paving of Lock Street and repair to the alley access and culvert on Market Street between Third and Fourth Street.

#### **Business Activities**

The Village of Lowell has five enterprise funds: 1) Water Operating, 2) Sewer Operating, 3) First Mortgage OWDA User Fee, 4) Advanced Water Deposits, and 5) Swimming Pool. The overall change in net assets for these funds was an increase of \$11,356, primary in the Sewer Fund and First Mortgage Debt Service Fund. The Water Fund reported a decrease in assets in the amount of \$8,013 or 14%.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.



Village of Lowell, Washington County  
Management's Discussion and Analysis  
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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

**Governmental Activities.** Most of the Village's basic services are reported here, including police, streets, and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-Type Activity.** The Village's business-type activities include the provision of water and sewer utility services and operating the Village swimming pool.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**Governmental Funds -** Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General and Street Construction, Maintenance, and Repair Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has five enterprise funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village has no fiduciary funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Cash and Cash Equivalents	\$ 60,862	\$ 35,315	\$ 188,665	\$ 83,011	\$ 249,527	\$ 118,326
Investments	-	23,212	-	94,298	-	117,510
<b>Total Assets</b>	<b>\$ 60,862</b>	<b>\$ 58,527</b>	<b>\$ 188,665</b>	<b>\$ 177,309</b>	<b>\$ 249,527</b>	<b>\$ 235,836</b>
<b>Net Assets</b>						
Restricted for:						
Debt Service	-	-	100,648	94,577	100,648	94,577
Other Purposes	31,587	26,235	4,370	4,557	35,957	30,792
Unrestricted	29,275	32,292	83,647	78,175	112,922	110,467
<b>Total Net Assets</b>	<b>\$ 60,862</b>	<b>\$ 58,527</b>	<b>\$ 188,665</b>	<b>\$ 177,309</b>	<b>\$ 249,527</b>	<b>\$ 235,836</b>

As mentioned previously, net assets of governmental activities increased \$2,335 or 4% during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- The General Fund decreased by \$3,018 due primarily to transfers to the Swimming Pool remodeling.
- The Street Construction, Maintenance, and Repair Fund increased in net assets in the amount of \$4,547 offsetting the loss in the General Fund.

Table 2 on the following page reflects the changes in net assets in 2006. A comparative analysis is presented.

Village of Lowell, Washington County  
Management's Discussion and Analysis  
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(Table 2)  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 750	\$ 41	\$ 142,346	\$ 143,363	\$ 143,096	\$ 143,404
Operating Grants and Contributions	25,917	24,691	4,000	2,000	29,917	26,691
Capital Grants and Contributions	-	-	68,875	67,990	68,875	67,990
<b>Total Program Receipts</b>	<b>26,667</b>	<b>24,732</b>	<b>215,221</b>	<b>213,353</b>	<b>241,888</b>	<b>238,085</b>
General Receipts:						
Property and Other Local Taxes	12,406	15,221	-	-	12,406	15,221
Grants and Entitlements Not Restricted to Specific Programs	61,712	65,116	-	-	61,712	65,116
Interest	5,767	3,301	-	-	5,767	3,301
Miscellaneous	7,110	4,539	-	3	7,110	4,542
<b>Total General Receipts</b>	<b>86,995</b>	<b>88,177</b>	<b>-</b>	<b>3</b>	<b>86,995</b>	<b>88,180</b>
<b>Total Receipts</b>	<b>113,662</b>	<b>112,909</b>	<b>215,221</b>	<b>213,356</b>	<b>328,883</b>	<b>326,265</b>
Disbursements:						
General Government	60,283	52,036	-	-	60,283	52,036
Security of Persons and Property	14,032	16,091	-	-	14,032	16,091
Public Health Services	2,204	1,699	-	-	2,204	1,699
Leisure Time Activities	6,243	2,465	-	-	6,243	2,465
Community Environment	570	345	-	-	570	345
Transportation	20,995	33,554	-	-	20,995	33,554
Other Disbursements	-	129	-	-	-	129
Capital Outlay	-	-	-	3,571	-	3,571
Water Operating	-	-	65,592	69,072	65,592	69,072
Sewer Operating	-	-	53,272	55,829	53,272	55,829
First Mortgage OWDA User Fees	-	-	62,803	62,371	62,803	62,371
Other Enterprise Funds	-	-	29,198	19,907	29,198	19,907
<b>Total Disbursements</b>	<b>104,327</b>	<b>106,319</b>	<b>210,865</b>	<b>210,750</b>	<b>315,192</b>	<b>317,069</b>
Excess (Deficiency) Before Other Financing	9,335	6,590	4,356	2,606	13,691	9,196
Other Financing Sources	-	703	-	-	-	703
Transfers	(7,000)	(550)	7,000	550	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>2,335</b>	<b>6,743</b>	<b>11,356</b>	<b>3,156</b>	<b>13,691</b>	<b>9,899</b>
Net Assets, January 1	58,527	51,784	177,309	174,153	235,836	225,937
<b>Net Assets December 31</b>	<b>\$ 60,862</b>	<b>\$ 58,527</b>	<b>\$ 188,665</b>	<b>\$ 177,309</b>	<b>\$ 249,527</b>	<b>\$ 235,836</b>

General receipts represent 26% of the Village's total receipts, and of this amount, 14% are local taxes. Miscellaneous receipts included Buell Island Park shelter rent and deposits along with one donation. The Village had interest on investments in the amount of \$5,767. Other significant receipts include intergovernmental receipts.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, Mayor and Clerk, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

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Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other villages in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the "Statement of Activities" (attached), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government, Transportation and Security of Persons and Property, which account for 58%, 20%, and 13% of all Village disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts that are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$ 60,283	\$ (60,138)	\$ 52,036	\$ (52,031)
Security of Persons and Property	14,032	(14,032)	16,091	(16,091)
Public Health Services	2,204	(2,204)	1,699	(1,699)
Leisure Time Activities	6,243	(6,243)	2,465	(2,465)
Community Environment	570	35	345	(309)
Transportation	20,995	4,922	33,554	(8,863)
Other	-	-	129	(129)
<b>Total Expenses</b>	<b>\$ 104,327</b>	<b>\$ (77,660)</b>	<b>\$ 106,319</b>	<b>\$ (81,587)</b>

The dependence upon property and intergovernmental receipts is apparent as all governmental activities are supported through these general receipts.

**Business-type Activities**

The Water Operating Fund currently services 316 users. Total disbursements exceeded receipts by \$8,013. The Village has approved an ordinance in 2005 to increase the water rates over the next three years.

The Sewer Operating Fund has 286 users. Sewer rates are calculated at 200% of water usage. The Sewer Operating Fund receipts exceeded disbursements by \$12,629 in 2006.

The Village has a debt for the sewer plant built in 1987 with the Ohio Water Development Authority. A twenty-dollar user's fee is collected from each sewer customer and is used to make the semiannual payments to the OWDA. The mortgage is scheduled to be repaid by July 1, 2013. In 2006, receipts exceeded disbursements by \$6,072 in this fund.

The Village swimming pool had disbursements that exceeded receipts in the amount of \$6,144 before transfers. Operating grants and transfers from the General Fund were used to keep the fund solvent.

### **The Village's Funds**

Total Village funds had receipts of \$113,662 and disbursements of \$104,327. In addition, \$7,000 was transferred out of the General Fund to the Swimming Pool Fund to cover extensive and much needed remodeling. The fund balance of the General Fund decreased by \$3,018. Decreased spending, specifically within the Police Department, has kept costs somewhat contained.

Cutting Police department spending is a less than ideal method to contain expenses. It was the recommendation of the finance/audit committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2007 including cuts in supplies and general operating expenses. These cuts will not eliminate the need for additional funds (or additional costs) in the future if the growth in property and income taxes become stagnant.

### **General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final budgeted receipts were slightly above original budgeted receipts. Tax receipts were slightly less than budgeted, as was Intergovernmental receipts. Interest on CDs exceeded the budgeted amount by \$3,087.

Final disbursements were budgeted at \$98,763 while actual disbursements were \$77,924. The Village kept spending below budgeted amounts in most instances. Transfers from the General Fund to the Swimming Pool totaled \$7,000.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure. The plan to develop a Capital Assets Plan for the Village should be an action item for 2008.

#### **Debt**

At December 31, 2006, the Village's only outstanding debt included \$328,533 principal balance for the First Mortgage OWDA sewer plant. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

### **Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funds. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2007; therefore, the finance committee and the administration maintained a very conservative approach when preparing the budget for 2007. We reviewed our sources of revenue and determined that increase were unlikely. We then reviewed the disbursement history of the Village. We have reduced spending in departments where it would have the least impact on services. All departments have been asked to reduce their spending.

### **Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Taten Ayers, Fiscal Officer, Village of Lowell, P.O. Box 337, 308 Walnut Street, Lowell, OH 45744.

**Village of Lowell, Washington County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 60,862	\$ 188,665	\$ 249,527
<i>Total Assets</i>	<u>60,862</u>	<u>188,665</u>	<u>249,527</u>
<b>Net Assets</b>			
Restricted for:			
Debt Service	-	100,648	100,648
Other Purposes	31,587	4,370	35,957
Unrestricted	<u>29,275</u>	<u>83,647</u>	<u>112,922</u>
<i>Total Net Assets</i>	<u>\$ 60,862</u>	<u>\$ 188,665</u>	<u>\$ 249,527</u>

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

**Village of Lowell, Washington County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 14,032	\$ -	\$ -	\$ -	\$ (14,032)	\$ -	\$ (14,032)
Public Health Services	2,204	-	-	-	(2,204)	-	(2,204)
Leisure Time Activities	6,243	-	-	-	(6,243)	-	(6,243)
Community Environment	570	605	-	-	35	-	35
Transportation	20,995	-	25,917	-	4,922	-	4,922
General Government	60,283	145	-	-	(60,138)	-	(60,138)
<i>Total Governmental Activities</i>	<u>104,327</u>	<u>750</u>	<u>25,917</u>	<u>-</u>	<u>(77,660)</u>	<u>-</u>	<u>(77,660)</u>
<b>Business Type Activities</b>							
Water Operating	65,591	57,578	-	-	-	(8,013)	(8,013)
Sewer Operating	53,272	65,901	-	-	-	12,629	12,629
Swimming Pool	26,743	16,599	4,000	-	-	(6,144)	(6,144)
First Mortgage OWDA	62,803	-	-	68,875	-	6,072	6,072
Advanced Water Deposits	2,456	2,268	-	-	-	(188)	(188)
<i>Total Business Type Activities</i>	<u>210,865</u>	<u>142,346</u>	<u>4,000</u>	<u>68,875</u>	<u>-</u>	<u>4,356</u>	<u>4,356</u>
<i>Total Primary Government</i>	<u>\$ 315,192</u>	<u>\$ 143,096</u>	<u>\$ 29,917</u>	<u>\$ 68,875</u>	<u>\$ (77,660)</u>	<u>\$ 4,356</u>	<u>\$ (73,304)</u>

	Net (Disbursements) Receipts and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts</b>			
Property Taxes	12,406	-	12,406
Grants and Entitlements not Restricted to Specific Programs	61,712	-	61,712
Earnings on Investments	5,767	-	5,767
Miscellaneous	7,110	-	7,110
<i>Total General Receipts</i>	<u>86,995</u>	<u>-</u>	<u>86,995</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In (Out)	(7,000)	7,000	-
<i>Total General Receipts and Other Financing Sources</i>	<u>79,995</u>	<u>7,000</u>	<u>86,995</u>
Change in Net Assets	2,335	11,356	13,691
<i>Net Assets Beginning of Year</i>	<u>58,527</u>	<u>177,309</u>	<u>235,836</u>
<i>Net Assets End of Year</i>	<u>\$ 60,862</u>	<u>\$ 188,665</u>	<u>\$ 249,527</u>

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

**Village of Lowell, Washington County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 29,274	\$ 28,068	\$ 3,520	\$ 60,862
<i>Total Assets</i>	<u>29,274</u>	<u>28,068</u>	<u>3,520</u>	<u>60,862</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	162	76	23	261
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	29,112	-	-	29,112
Special Revenue Funds	-	27,992	3,497	31,489
<i>Total Fund Balances</i>	<u>\$ 29,274</u>	<u>\$ 28,068</u>	<u>\$ 3,520</u>	<u>\$ 60,862</u>

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



**Village of Lowell, Washington County**  
*Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 12,406	\$ -	\$ -	\$ 12,406
Intergovernmental	55,773	23,972	7,884	87,629
Fines, Licenses, and Permits	750	-	-	750
Earnings on Investments	5,705	53	9	5,767
Miscellaneous	7,110	-	-	7,110
<i>Total Receipts</i>	<u>81,744</u>	<u>24,025</u>	<u>7,893</u>	<u>113,662</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	14,032	-	-	14,032
Public Health Services	2,204	-	-	2,204
Leisure Time Activities	1,243	-	5,000	6,243
Community Environment	-	-	570	570
Transportation	-	19,478	1,517	20,995
General Government	60,283	-	-	60,283
<i>Total Disbursements</i>	<u>77,762</u>	<u>19,478</u>	<u>7,087</u>	<u>104,327</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	3,982	4,547	806	9,335
<b>Other Financing (Uses)</b>				
Transfers-Out	(7,000)	-	-	(7,000)
<i>Total Other Financing (Uses)</i>	(7,000)	-	-	(7,000)
<i>Net Change in Fund Balances</i>	(3,018)	4,547	806	2,335
<i>Fund Balances Beginning of Year</i>	<u>32,292</u>	<u>23,521</u>	<u>2,714</u>	<u>58,527</u>
<i>Fund Balances End of Year</i>	<u>\$ 29,274</u>	<u>\$ 28,068</u>	<u>\$ 3,520</u>	<u>\$ 60,862</u>

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

**Village of Lowell, Washington County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 13,500	\$ 13,500	\$ 12,406	\$ (1,094)
Intergovernmental	56,944	56,944	55,773	(1,171)
Fines, Licenses, and Permits	260	440	750	310
Earnings on Investments	2,618	2,618	5,705	3,087
Miscellaneous	7,420	7,420	7,110	(310)
<i>Total Receipts</i>	<u>80,742</u>	<u>80,922</u>	<u>81,744</u>	<u>822</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	24,000	24,000	14,032	9,968
Public Health Services	1,800	2,335	2,204	131
Leisure Time Activities	2,800	2,800	1,243	1,557
Community Environment	100	100	-	100
General Government	66,328	69,528	60,445	9,083
<i>Total Disbursements</i>	<u>95,028</u>	<u>98,763</u>	<u>77,924</u>	<u>20,839</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,286)</u>	<u>(17,841)</u>	<u>3,820</u>	<u>21,661</u>
<b>Other Financing Sources (Uses)</b>				
Transfers-Out	(5,000)	(10,000)	(7,000)	3,000
Other Financing Sources	1,000	1,000	-	(1,000)
Other Financing Uses	(4,000)	(265)	-	265
<i>Total Other Financing Sources (Uses)</i>	<u>(8,000)</u>	<u>(9,265)</u>	<u>(7,000)</u>	<u>2,265</u>
<i>Net Change in Fund Balance</i>	(22,286)	(27,106)	(3,180)	23,926
<i>Fund Balance Beginning of Year</i>	<u>32,292</u>	<u>32,292</u>	<u>32,292</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 10,006</u>	<u>\$ 5,186</u>	<u>\$ 29,112</u>	<u>\$ 23,926</u>

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

**Village of Lowell, Washington County**  
*Statement of Receipts, Disbursements, and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Street Construction, Maintenance, and Repair Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		Actual	(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Receipts</b>				
Intergovernmental	\$ 24,068	\$ 24,068	\$ 23,971	\$ (97)
Earnings on Investments	50	50	53	3
Miscellaneous	436	436	-	(436)
<i>Total Receipts</i>	<u>24,554</u>	<u>24,554</u>	<u>24,024</u>	<u>(530)</u>
<b>Disbursements</b>				
Current:				
Transportation	35,255	35,294	19,554	15,740
Capital Outlay	5,000	5,000	-	5,000
<i>Total Disbursements</i>	<u>40,255</u>	<u>40,294</u>	<u>19,554</u>	<u>20,740</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,701)</u>	<u>(15,740)</u>	<u>4,470</u>	<u>20,210</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	(2,125)	(2,086)	-	2,086
<i>Total Other Financing Sources (Uses)</i>	<u>(2,125)</u>	<u>(2,086)</u>	<u>-</u>	<u>2,086</u>
<i>Net Change in Fund Balance</i>	(17,826)	(17,826)	4,470	22,296
<i>Fund Balance Beginning of Year</i>	<u>23,521</u>	<u>23,521</u>	<u>23,521</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 5,695</u>	<u>\$ 5,695</u>	<u>\$ 27,991</u>	<u>\$ 22,296</u>

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

**Village of Lowell, Washington County**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2006*

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Swimming Pool</u>	<u>First Mort OWDA User Fee</u>	<u>NonMajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 49,191	\$ 32,896	\$ 1,559	\$ 100,649	\$ 4,370	\$ 188,665
<i>Total Assets</i>	<u>49,191</u>	<u>32,896</u>	<u>1,559</u>	<u>100,649</u>	<u>4,370</u>	<u>188,665</u>
<b>Net Assets</b>						
Restricted for:						
Debt Service	-	-	-	100,649	-	100,649
Other Purposes	-	-	-	-	4,370	4,370
Unrestricted	49,191	32,896	1,559	-	-	83,646
<i>Total Fund Balances</i>	<u>\$ 49,191</u>	<u>\$ 32,896</u>	<u>\$ 1,559</u>	<u>\$ 100,649</u>	<u>\$ 4,370</u>	<u>\$ 188,665</u>

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

**Village of Lowell, Washington County**  
*Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances*  
*Proprietary Funds*  
*For the Year Ended December 31, 2006*

	Proprietary Fund Type					Total
	Water Operating	Sewer Operating	Swimming Pool	Firs Mort OWDA User Fee	Other Enterprise Funds	
<b>Operating Receipts</b>						
Charges for Services	\$ 57,578	\$ 65,901	\$ 16,599	\$ -	\$ 2,268	\$ 142,346
<i>Total Operating Receipts</i>	<u>57,578</u>	<u>65,901</u>	<u>16,599</u>	<u>-</u>	<u>2,268</u>	<u>142,346</u>
<b>Operating Disbursements</b>						
Personal Services	25,703	25,428	9,781	-	-	60,912
Employee Fringe Benefits	4,276	4,496	1,473	-	-	10,245
Contractual Services	12,345	13,813	-	-	-	26,158
Supplies and Materials	23,267	9,535	15,489	-	-	48,291
Other	-	-	-	-	2,456	2,456
<i>Total Operating Disbursements</i>	<u>65,591</u>	<u>53,272</u>	<u>26,743</u>	<u>-</u>	<u>2,456</u>	<u>148,062</u>
<i>Operating Income (Loss)</i>	<u>(8,013)</u>	<u>12,629</u>	<u>(10,144)</u>	<u>-</u>	<u>(188)</u>	<u>(5,716)</u>
<b>Non-Operating Receipts (Disbursements)</b>						
Special Assessments	-	-	-	68,875	-	68,875
Miscellaneous Receipts	-	-	4,000	-	-	4,000
Principal Payments	-	-	-	(37,202)	-	(37,202)
Interest and Fiscal Charges	-	-	-	(25,601)	-	(25,601)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>6,072</u>	<u>-</u>	<u>10,072</u>
<i>Income (Loss) Before Transfers</i>	<u>(8,013)</u>	<u>12,629</u>	<u>(6,144)</u>	<u>6,072</u>	<u>(188)</u>	<u>4,356</u>
Transfers-In	-	-	7,000	-	-	7,000
<i>Net Change in Fund Balances</i>	<u>(8,013)</u>	<u>12,629</u>	<u>856</u>	<u>6,072</u>	<u>(188)</u>	<u>11,356</u>
<i>Fund Balances Beginning of Year</i>	<u>57,204</u>	<u>20,267</u>	<u>703</u>	<u>94,577</u>	<u>4,558</u>	<u>177,309</u>
<i>Fund Balances End of Year</i>	<u>\$ 49,191</u>	<u>\$ 32,896</u>	<u>\$ 1,559</u>	<u>\$ 100,649</u>	<u>\$ 4,370</u>	<u>\$ 188,665</u>

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

**Note 1 – Reporting Entity**

The Village of Lowell, Washington County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term, appoints the President of Council from elected council persons, and votes only to break a tie.

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

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, and police services.

In addition to the primary government, the village has a Board of Public Affairs that oversees the general operation of the Water and Sewer funds. The board consists of three members who are residents of the Village and are elected to serve two years. The Clerk of the Village is also the Clerk for the Board of Public Affairs. The duties of the Board are to manage, control, and conduct the business of the public utilities for the Village of Lowell. The Board was established in 1938.

The financial statements exclude the following entities that perform activities within the Village's boundaries for the benefit of its residents because the Village is not financially accountable for these entities nor are they fiscally dependent on the Village:

- 1) Lowell Oktoberfest
- 2) Lowell Springfest
- 3) Lowell Community TV

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the Village in that the Village approves the budget, the issuance of debt, or the levying of taxes for the organization. No separate government units meet the criteria for inclusion as a component unit.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**Fund Financial Statements**

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

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

**B. Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories; governmental, proprietary, and fiduciary.

**Note 2– Summary of Significant Accounting Policies (Continued)**

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General and Street Construction, Maintenance, and Repair Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction, Maintenance, and Repair Fund were established to care for, organize, and control the public streets, avenues, and alleys within the Village. The General Services Superintendent has primary responsibility under the direction of the Mayor and Council for the maintenance and repair of the streets. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds and has the following enterprise funds.

**Enterprise Funds** – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are as follows:

- Water Fund – The Water Fund accounts for the provision of water to residents and commercial users located within the Village.
- Sewer Fund – The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.
- OWDA First Mortgage Fund – This is a fund that collects a monthly \$20.00 user fee from all sewer customers. These fees are used to pay the semi-annual mortgage payment on the sewage treatment facility for the Village.
- Advanced Water Deposits Fund – This fund holds the initial water deposit for new customers. The deposit is returned to homeowners after one year, and upon moving out for renters.
- Swimming Pool Fund – This fund accounts for the operation of the Village's public swimming pool, located on Buell Island.

**C. Basis of Accounting**

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

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



**Note 2 – Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process**

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object levels for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

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

**E. Cash and Investments**

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

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents".

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

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

During 2007 and 2006, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio for 2007 and 2006 are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007 and December 31, 2006, respectively.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were \$7,168, of which \$2,733 is STAR Ohio. Interest receipts credited to the General Fund during 2006 was \$5,705, of which \$2,566 is STAR Ohio.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in 2007 represent \$104,057 for the OWDA First Mortgage Fund and \$4,538 for the Advanced Water Deposits Fund. Restricted assets in 2006 represent \$100,648 for the OWDA First Mortgage Fund and \$4,370 for the Advanced Water Deposits Fund.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets or liabilities in the accompanying financial statements. There were no advances during 2007 or 2006.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

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

**L. Long-Term Obligations**

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

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the Street Construction, Maintenance and Repair Fund, and the State Highway Fund.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**N. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**O. Interfund Transactions**

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

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

**Note 3 – Accountability and Compliance**

**A. Accountability**

The Village ended 2007 and 2006 with no deficit fund balances. No interfund transfers were made during 2007; however in 2006, \$7,000 was transferred from the General Fund to the Swimming Pool Fund in order to meet expenses related to repairing the pool.

**B. Compliance**

No significant violations of finance-related legal or contractual provisions are known.

**Note 4 – Budgetary Bases of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is (and any major special revenue fund are) prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference (s) between the budgetary basis and the cash basis is (are) outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year-end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). There were no outstanding encumbrances at year-end and no outstanding advances.

**Note 5 – Deposits and Investments**

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

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

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

**Note 5 – Deposits and Investments (Continued)**

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

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

1. United State Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end of both 2006 and 2007, the Village had \$113 in un-deposited cash on hand which consists of petty cash and change for the Water/Sewer billing Clerk.

**Deposits**

At 2006 year-end, the carrying amount of the Village's deposits was \$249,527 and the bank balance was \$259,453. Of the bank balance \$100,000 was covered by federal depository insurance and \$159,453 was uninsured. At 2007 year-end, the carrying amount of the Village's deposits was \$276,276 and the bank balance was \$294,553. Of the bank balance \$100,000 was covered by federal depository insurance and \$194,553 was uninsured. The uninsured funds of both years are protected by securities pledged by People Bank as collateral. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

**Note 5 – Deposits and Investments (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be able to be returned. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a poll of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

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

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 (2006) represent the collection of 2006 (2005) taxes. Real property taxes received in 2007 (2006) were levied after October 1, 2006 (2005), on the assessed values as of January 1, 2006 (2005), the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 (2006) represent the collection of 2006 (2005) taxes. Public utility real and tangible personal property taxes received in 2007 (2006) became a lien on December 31, 2006 (2005), were levied after October 1, 2006 (2005) and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (2006) (other than public utility property) represent the collection of 2007 (2006) taxes. Tangible personal property taxes received in 2007 (2006) were levied after October 1, 2006 (2005), on the true value as of December 31, 2006 (2005). Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006 was \$3 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Village of Lowell - Washington County  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 6 - Property Taxes (Continued)**

Real Property	
Residential	3,586,730
Agriculture	2,020
Commercial/Industrial/Mineral	607,260
Public Utility Property	
Real	-
Personal	252,560
Tangible Personal Property	70,620
Total Assessed Value	4,519,190

The full tax rate for all Village operations for the year ended December 31, 2007, was \$3 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	3,911,990
Agriculture	2,020
Commercial/Industrial/Mineral	607,260
Public Utility Property	
Real	-
Personal	244,200
Tangible Personal Property	31,130
Total Assessed Value	4,796,600

**Note 7 – Risk Management**

The Village belonged to the Public Entities Pool of Ohio through May 5, 2007. PEP is a member of a unique reinsurance pool known as American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. The reinsurance arrangement is composed strictly of public entities pools that mirror PEP in their operation. Members of PEP automatically receive limits of liability up to \$2,000,000 for claims resulting from general, automobile, and police professional or public officials' liability. Of this amount PEP is responsible for the first \$250,000 of claim payment and expense. Amounts exceeding that are paid by APEEP up to \$1,750,000 in any one claim. Individual arrangements are made with General Reinsurance Corporation, an internationally recognized reinsurer, for Members who require limits in excess of \$2,000,000. As of May 5, 2007, the Village began participating in the Ohio Government Risk Management Plan. The plan covers property, liability, automobile, crime, and additional property items.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**Note 8 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**Note 8 – Defined Benefit Pension Plan (Continued)**

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2007 and 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent and 9.0 percent respectively of their annual covered salaries. In both 2006 and 2007, members participating in the traditional plan who were in law enforcement contributed 10.10 percent of their annual covered salary; members in public safety contributed 9.75 percent in 2007 and 9 percent in 2006. In 2007 and 2006, the Village's contribution rate for pension benefits for 2007 was 13.85% and 13.7% respectively; except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 17.17 percent of covered payroll in 2007 and 16.93 percent of covered payroll in 2006. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 was \$24,282.72, of which \$2,378.27 was sent to OPERS on January 1, 2007 and the remaining was submitted during 2006 monthly. The Village's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2007 was \$22,167.75, of which \$2,392.48 was sent to OPERS on January 6, 2008 and the remainder was submitted during 2006 monthly. The Village's required contribution for 2005 was \$13,676. The full amount has been contributed for all three years.

**Note 9 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. In 2006, state employers contributed at a rate of 13.54% of covered payroll, local government employer units contributed at 13.70% of covered payroll, and public safety and law enforcement employer units contributed at 16.93%. The portion of employer contributions, for all employers, allocated healthcare was 4.5%. In 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units contributed at 13.85% of covered payroll, and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions, for all employers, allocated healthcare was 5% from January 1 through June 30, 2007 and 6% from July 1 through December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

Village of Lowell - Washington County  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 9 - Postemployment Benefits (Continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214 in 2006 and 374,979 in 2007. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively in 2007 and \$31.3 billion and \$20.2 billion, respectively in 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 10 – Debt**

The Village's long-term debt activity for the year ended December 31, 2007 is expressed in the financial statements within the First Mortgage OWDA User Fee Fund. The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$33,706, including interest, over 25 years. The loan is secured by user fees. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The debt is supported by the full faith and credit of the Village and is payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The prior audit report reflected an inaccurate principal balance outstanding at December 31, 2005 of \$383,598. The correct outstanding principal balance at December 31, 2005 was \$365,735.

The Village's long-term debt activity for the years ended December 31, 2007 and 2006 was as follows:

Description	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amount Due in One Year
OWDA Loan	\$ 365,735	\$ -	\$ 37,202	\$ 328,533	\$ -	\$ 40,275	\$ 288,258	\$ 43,601

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loan		
	Principal	Interest	Total
2008	43,602	23,810	67,412
2009	47,203	20,209	67,412
2010	51,102	16,310	67,412
2011	55,323	12,089	67,412
2012	59,893	7,519	67,412
2013	31,135	2,571	33,706
Totals	<u>\$288,258</u>	<u>\$82,508</u>	<u>\$370,766</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.



**Note 15 – Leases**

Other than a casual lease from a property owner of \$1 per year to use his property for parking during special events, the Village has no lease agreements.

**Note 16 – Interfund Transfer**

During 2006, the following transfer was made:

Transfers from the General Fund to Swimming Pool (Enterprise)	\$ 7,000
Total Transfers from the General Fund	<u>\$ 7,000</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During 2007, there were no interfund transfers.

**Note 17 – Contingent Liabilities**

The Village is not currently involved in litigation that the Village's legal counsel anticipates would result in a loss to the Village.

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

***Perry & Associates***  
**Certified Public Accountants, A.C.**

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

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

September 5, 2008

Village of Lowell  
Washington County  
PO Box 337  
Lowell, Ohio 45744

To the Mayor, Fiscal Officer, and Members of Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Village of Lowell, Washington County, Ohio** (the Village) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies internal control over financial reporting: 2007-001 and 2007-002.

**Internal Control Over Financial Reporting (Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are not 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, 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 that we must report under *Government Auditing Standards*.

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

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Significant Deficiency**

**Village Swimming Pool**

During our testing of pool receipts, we noted the following:

- The Daily Recap Sheet, which summarized daily activity was not reviewed and approved by the Fiscal Officer as agreeing to the daily deposit.
- The recreation department did not maintain an inventory for the concession items available for sale and there was not cost-of-goods performed.

The internal controls over the collection of pool receipts were inadequate and could result in misappropriation of Village assets.

We recommend the Village take the following actions concerning pool receipt collections:

- The Daily Recap Sheet should be properly completed, filed and signed by the Pool Manager.
- Whenever, an error has been made when operating the cash register (over/under ring), a void should be made. All voids or adjustments should be documented as to the reason and signed by the Pool Manager.
- Enhance the internal controls over season passes by recording the receipt # and amount paid on each application.
- Enhance the effectiveness/usefulness of the Daily Recap Sheet by including attendance and reconciling to amount collected.
- Consider preparing a formal written policy which summarizes the Village's procedures over the pool. These policies and procedures could be distributed to the applicable parties and acknowledgement forms could be signed and kept on file evidencing individuals' awareness of the Village's policies and procedures.
- The pool department should maintain a perpetual inventory of all concession goods. In addition, a cost-of-goods calculation should be performed to ascertain the reasonableness of the rates being charged in the concession area. Inventory sold should be compared to concession receipts on a regular basis to ensure reasonableness.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-002**

**Significant Deficiency**

**Posting Estimated Revenues**

The Village did not have a control procedure in place to ensure that estimated receipts, as authorized by Council and approved by the County Budget Commission, were reconciled to the estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary financial statements for the General and Swimming Pool Funds in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Village implement procedures to ensure estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	<b>ORC 5705.41(D)</b> – Expenditures not properly encumbered.	Yes	



**Mary Taylor, CPA**  
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  
NOVEMBER 6, 2008**