



Dave Yost • Auditor of State

VILLAGE OF LOWELLVILLE
MAHONING COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Village of Lowellville
Mahoning County
140 E. Liberty Street
Lowellville, Ohio 44436

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lowellville, Mahoning County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Village has outsourced sewer billings and collections to a service organization. The financial statements report sewer billings and collections in the Sewer Operating Fund (an enterprise fund). The service organization did not provide information requested regarding the design or proper operation of its internal controls or with certain information regarding charges for services. We were therefore unable to obtain sufficient appropriate audit evidence about the proper processing of sewer billings and receipts. Those receipts represent 100 percent of the operating cash receipts reported within the Sewer Operating Fund (an enterprise fund). Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the Enterprise Funds of the Village of Lowellville, Mahoning County, as of December 31, 2017 and 2016, and its receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinion on Regulatory Basis of Accounting

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the General, Special Revenue, Debt Service, Capital Projects and Agency Funds, and related notes of the Village of Lowellville, Mahoning County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 5, 2019

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Village of Lowellville
Mahoning County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$133,437	\$8,940	\$5,193		\$147,570
Municipal Income Tax	460,427				460,427
Intergovernmental	344,721	67,595		\$424,960	837,276
Special Assessments	3,904			89,297	93,201
Charges for Services	203,116				203,116
Fines, Licenses and Permits	14,280				14,280
Earnings on Investments	81	8			89
Miscellaneous	1,900	5,120			7,020
<i>Total Cash Receipts</i>	<u>1,161,866</u>	<u>81,663</u>	<u>5,193</u>	<u>514,257</u>	<u>1,762,979</u>
Cash Disbursements					
Current:					
Security of Persons and Property	309,412				309,412
Public Health Services	5,649				5,649
Community Environment	3,913				3,913
Basic Utility Services				1,875	1,875
Transportation	87,540	97,610			185,150
General Government	226,514	0	2,000		228,514
Capital Outlay	347,263	1,500		423,460	772,223
Debt Service:					
Principal Retirement	7,450		5,804	59,967	73,221
Interest and Fiscal Charges	308		232	43,395	43,935
<i>Total Cash Disbursements</i>	<u>988,049</u>	<u>99,110</u>	<u>8,036</u>	<u>528,697</u>	<u>1,623,892</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>173,817</u>	<u>(17,447)</u>	<u>(2,843)</u>	<u>(14,440)</u>	<u>139,087</u>
Other Financing Receipts (Disbursements)					
Transfers In		16,000			16,000
Transfers Out	(16,000)				(16,000)
Other Financing Sources	15,280				15,280
Other Financing Uses	(110,132)				(110,132)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(110,852)</u>	<u>16,000</u>	<u>0</u>	<u>0</u>	<u>(94,852)</u>
<i>Net Change in Fund Cash Balances</i>	62,965	(1,447)	(2,843)	(14,440)	44,235
<i>Fund Cash Balances, January 1</i>	<u>252,589</u>	<u>21,506</u>	<u>5,222</u>	<u>55,995</u>	<u>335,312</u>
Fund Cash Balances, December 31					
Restricted		20,059	2,379	41,555	63,993
Assigned	312,396				312,396
Unassigned (Deficit)	3,158				3,158
<i>Fund Cash Balances, December 31</i>	<u>\$315,554</u>	<u>\$20,059</u>	<u>\$2,379</u>	<u>\$41,555</u>	<u>\$379,547</u>

See accompanying notes to the basic financial statements

Village of Lowellville
Mahoning County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$157,763		\$157,763
<i>Total Operating Cash Receipts</i>	<u>157,763</u>		<u>157,763</u>
Operating Cash Disbursements			
Personal Services	111,614		111,614
Employee Fringe Benefits	40,728		40,728
Contractual Services	136,732		136,732
Supplies and Materials	227,332		227,332
Other	300	\$38	338
<i>Total Operating Cash Disbursements</i>	<u>516,706</u>	<u>38</u>	<u>516,744</u>
<i>Operating Income (Loss)</i>	<u>(358,943)</u>	<u>(38)</u>	<u>(358,981)</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	89		89
Capital Outlay	(30,260)		(30,260)
Other Financing Sources	571,218		571,218
Other Financing Uses	(111,734)		(111,734)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>429,313</u>	<u>0</u>	<u>429,313</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	70,370	(38)	70,332
<i>Net Change in Fund Cash Balances</i>	70,370	(38)	70,332
<i>Fund Cash Balances, January 1</i>	<u>305,942</u>	<u>1,147</u>	<u>307,089</u>
<i>Fund Cash Balances, December 31</i>	<u>\$376,312</u>	<u>\$1,109</u>	<u>\$377,421</u>

See accompanying notes to the basic financial statements

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Lowellville (the Village), Mahoning County, 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. A publicly-elected six-member Council directs the Village.

Public Entity Risk Pools

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported 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.

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

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund: Ohio Water Development Authority (OWDA) loan

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Sanitary Sewer Projects - This fund receives Federal monies to pay for improvements to the wastewater treatment plant.

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

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

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,134,466	\$1,177,146	\$42,680
Special Revenue	85,742	97,663	11,921
Debt Service	11,004	5,193	(5,811)
Capital Projects	194,018	514,257	320,239
Enterprise	665,055	729,070	64,015
Total	\$2,090,285	\$2,523,329	\$433,044

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,367,588	\$1,166,800	\$200,788
Special Revenue	107,282	99,110	8,172
Debt Service	10,071	8,036	2,035
Capital Projects	107,207	528,697	(421,490)
Enterprise	1,001,855	658,700	343,155
Total	\$2,594,003	\$2,461,343	\$132,660

Contrary to Ohio law budgetary expenditures exceeded appropriations authority in the Capital Project fund by \$421,490 for the year ended December 31, 2017.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$440,702
Other time deposits (savings and NOW accounts)	<u>316,266</u>
Total deposits	<u><u>756,968</u></u>

Deposits

The Village's deposits are collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The Regional Income Tax Agency administers and collects income taxes for the Village.

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (Continued)

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2017</i>	<i>10%</i>	<i>14%</i>

Ohio Police and Fire Retirement System

Some Village Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2015 - December 31, 2017</i>	<i>12.25%</i>	<i>19.5%</i>

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017, and 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 5480	\$14,867	0%
Ohio Water Development Authority Loan 6820	\$1,167,785	2.57 - 3.34%
Ohio Water Development Authority Loan 7149	179,276	2.92
Police SUV Ford Explorer	2,194	4.00%
2016 Chevy Silverado-Promissory Note	30,519	4.06%
Total	\$1,361,928	

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

The Ohio Water Development Authority (OWDA) loan 6820 pertains to the Waste Water Treatment Plant improvements. The OWDA approved a total loan of \$1,317,585 in loans to the Village for this project. The Village will be reimbursed annually by BFI for all future principal and interest payments related to this debt.

The Ohio Water Development Authority (OWDA) loan 7149 pertains to the McGill and Walnut streets drainage improvements. The OWDA approved at total loan of \$194,017 for this project.

The Village purchased a 2016 Chevy Silverado in January of 2017. The total amount including finance charges is \$40,798.80. The Village will pay the loan in 60 monthly payments of \$679.98.

Leases

The Village's lease was issued in 2014 to pay for the purchase of a Ford Explorer for the Police Department. The Village's taxing authority collateralized the note. The Village disbursed \$13,794 to pay lease costs for the year ended December 31, 2017.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	Explorer Lease	2016		OWDA Loan 6820	OWDA Loan 7149
		Chevy Silverado	OWDA Loan 5480		
2018	\$2,194	\$8,160	\$1,189	\$89,297	\$12,876
2019		\$8,160	1,189	89,297	12,876
2020		\$8,160	1,189	89,297	12,876
2021		\$6,039	1,189	89,297	12,876
2022			5,947	446,485	64,382
2023-2027			4,134	364,112	63,390
Total	2,194	30,519	14,837	1,167,785	179,276

Note 10 – Subsequent Events

As of December 31, 2016, the Village no longer has a functioning Mayor's Court.

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Village of Lowellville
Mahoning County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$105,950	\$8,557	\$5,055		\$119,562
Municipal Income Tax	475,707				475,707
Intergovernmental	18,346	70,862		\$712,067	801,275
Special Assessments				132,297	132,297
Charges for Services	169,704				169,704
Fines, Licenses and Permits	18,977	410			19,387
Earnings on Investments	43	4			47
Miscellaneous	10,000	5,440			15,440
<i>Total Cash Receipts</i>	<u>798,727</u>	<u>85,273</u>	<u>5,055</u>	<u>844,364</u>	<u>1,733,419</u>
Cash Disbursements					
Current:					
Security of Persons and Property	325,125				325,125
Public Health Services	5,031				5,031
Community Environment	4,171				4,171
Basic Utility Services				1,125	1,125
Transportation	62,502	94,068			156,570
General Government	213,700	90	89		213,879
Capital Outlay	174,234	2,970		904,392	1,081,596
Debt Service:					
Principal Retirement	27,102		3,655	57,587	88,344
Interest and Fiscal Charges	1,065		380	45,181	46,626
<i>Total Cash Disbursements</i>	<u>812,930</u>	<u>97,128</u>	<u>4,124</u>	<u>1,008,285</u>	<u>1,922,467</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,203)</u>	<u>(11,855)</u>	<u>931</u>	<u>(163,921)</u>	<u>(189,048)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds				194,017	194,017
Sale of Capital Assets	650				650
Transfers In		14,000		12,876	26,876
Transfers Out	(26,876)				(26,876)
Other Financing Sources	329,513				329,513
Other Financing Uses	(149,854)				(149,854)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>153,433</u>	<u>14,000</u>	<u>0</u>	<u>206,893</u>	<u>374,326</u>
<i>Net Change in Fund Cash Balances</i>	139,230	2,145	931	42,972	185,278
<i>Fund Cash Balances, January 1</i>	<u>113,359</u>	<u>19,361</u>	<u>4,291</u>	<u>13,023</u>	<u>150,034</u>
Fund Cash Balances, December 31					
Restricted		21,506	5,222	55,995	82,723
Assigned	233,122				233,122
Unassigned (Deficit)	19,467				19,467
<i>Fund Cash Balances, December 31</i>	<u>\$252,589</u>	<u>\$21,506</u>	<u>\$5,222</u>	<u>\$55,995</u>	<u>\$335,312</u>

See accompanying notes to the basic financial statements

Village of Lowellville
Mahoning County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016*

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$181,508		\$181,508
Fines, Licenses and Permits		\$4,655	4,655
<i>Total Operating Cash Receipts</i>	<u>181,508</u>	<u>4,655</u>	<u>186,163</u>
Operating Cash Disbursements			
Personal Services	118,849		118,849
Employee Fringe Benefits	49,628		49,628
Contractual Services	158,086		158,086
Supplies and Materials	150,218		150,218
Other	500	4,763	5,263
<i>Total Operating Cash Disbursements</i>	<u>477,281</u>	<u>4,763</u>	<u>482,044</u>
<i>Operating Income (Loss)</i>	<u>(295,773)</u>	<u>(108)</u>	<u>(295,881)</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	12,013		12,013
Earnings on Investments (proprietary funds only)	27		27
Capital Outlay	(53,738)		(53,738)
Other Financing Sources	384,732		384,732
Other Financing Uses	(34,585)		(34,585)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>308,449</u>	<u>0</u>	<u>308,449</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	12,676	(108)	12,568
Transfers In	12,000		12,000
Transfers Out	(12,000)		(12,000)
<i>Net Change in Fund Cash Balances</i>	12,676	(108)	12,568
<i>Fund Cash Balances, January 1</i>	<u>293,266</u>	<u>1,255</u>	<u>294,521</u>
<i>Fund Cash Balances, December 31</i>	<u>\$305,942</u>	<u>\$1,147</u>	<u>\$307,089</u>

See accompanying notes to the basic financial statements

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Lowellville (the Village), Mahoning County, 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. A publicly-elected six-member Council directs the Village.

Public Entity Risk Pools

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported 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.

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

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund: Ohio Water Development Authority (OWDA) loan.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Sanitary Sewer Projects - This fund receives Federal monies to pay for improvements to the wastewater treatment plant.

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

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

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,160,366	\$1,128,890	(\$31,476)
Special Revenue	98,110	99,273	1,163
Debt Service	14,811	5,055	(9,756)
Capital Projects	1,030,076	1,051,257	21,181
Enterprise	777,759	578,280	(199,479)
Total	\$3,081,122	\$2,862,755	(\$218,367)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,273,295	\$984,711	\$288,584
Special Revenue	104,906	97,128	7,778
Debt Service	14,810	4,124	10,686
Capital Projects	299,285	1,008,285	(709,000)
Enterprise	633,956	565,604	68,352
Total	\$2,326,252	\$2,659,852	(\$333,600)

Contrary to Ohio law budgetary expenditures exceeded appropriations authority in the Capital Project fund by \$790,000 for the year ended December 31, 2016.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$326,224
Other time deposits (savings and NOW accounts)	<u>316,177</u>
Total deposits	<u><u>\$642,401</u></u>

Deposits

The Village's deposits are collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The Regional Income Tax Agency administers and collects income taxes for the Village.

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management (Continued)

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

Assets	\$ 14,765,712
Liabilities	<u>9,531,506</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>

Ohio Police and Fire Retirement System

Some Village Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2015 - December 31, 2016</i>	<i>12.25%</i>	<i>19.5%</i>

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 5480	16,056	0%
Ohio Water Development Authority Loan 6820	1,176,086	2.75 - 3.34%
Ohio Water Development Authority Loan 7149	186,753	2.92%
Police SUV Ford Explorer	15,365	4.00%
Total	<u><u>\$1,394,260</u></u>	

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (Continued)

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

The Ohio Water Development Authority (OWDA) loan 6820 pertains to the Waste Water Treatment Plant improvements. The OWDA approved a total loan of \$1,317,585 in loans to the Village for this project. The Village will be reimbursed annually by BFI for all future principal and interest payments related to this debt.

The Ohio Water Development Authority (OWDA) loan 7149 pertains to the McGill and Walnut streets drainage improvements. The OWDA approved at total loan of \$194,017 for this project.

Leases

The Village’s lease was issued in 2014 to pay for the purchase of a Ford Explorer for the Police Department. The Village’s taxing authority collateralized the note. The Village disbursed \$8,070 to pay lease costs for the year ended December 31, 2016.

Amortization

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

Year Ending December 31:	Explorer Lease	OWDA Loan 5480	OWDA Loan 6820	OWDA Loan 7149
2017	\$8,070	\$1,189	\$89,297	\$12,876
2018	8,070	1,189	89,297	12,876
2019		1,189	89,297	12,876
2020		1,189	89,297	12,876
2021-2025		5,947	446,485	64,382
2026-2030		5,353	372,413	64,382
2031-2036				6,485
Total	<u>\$16,140</u>	<u>\$16,056</u>	<u>\$1,176,086</u>	<u>\$186,753</u>

Note 10 – Subsequent Events

As of December 31, 2016, the Village no longer has a functioning Mayor’s Court.

OHIO AUDITOR OF STATE KEITH FABER



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

Village of Lowellville
Mahoning County
140 E. Liberty Street
Lowellville, Ohio 44436

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Lowellville, Mahoning County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts in the Enterprise Funds.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 through 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 5, 2019

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2017-001
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Noncompliance Citation and Material Weakness – On-Behalf Payments

Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

There are also several budgetary compliance requirements associated with the recording of such program receipts and disbursements:

- Ohio Revised Code Section 5705.09(F) requires the establishment of such special funds in which the legislative authority to approve, by resolution, the grant or program application and must establish any fund(s) necessary to meet the grant or project objectives. Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant project, based on the expected cash disbursements to be made on the local government’s behalf in the current fiscal year in accordance with Ohio Revised Code Section 5705.36(A)(3).
- Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated; therefore, appropriations should be recorded in accordance with the terms and conditions of the grant or project agreement. Ohio Revised Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure prior to recording the appropriations.

The Village was the beneficiary of the Ohio Department of Transportation (ODOT) and Ohio Public Works Commission (OPWC) monies that were paid directly to the vendors. On behalf of the Village, the following amounts were paid to vendors in 2017 and 2016; however, the Village did not record the receipt and expenditure transactions relating to the ODOT and OPWC on-behalf payments as follows:

- ODOT payments not recorded in 2017 were \$345,880
- OPWC payments not recorded in 2017 were \$77,580
- OPWC payments not recorded in 2016 were \$710,375.

In addition, the Village did not amend their estimated resources and appropriations to properly budget for the expected grant receipts and expenditures. Additionally, the following budgetary violations for expenditures greater than appropriations were noted:

2017 - Capital Project Fund - \$421,490
2016 - Capital Project Fund - \$709,000.

The Village’s financial statements were adjusted to reflect these transactions.

Officials’ Response: Fiscal Officer has corrected this for 2018.

Finding Number	2017-002
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Material Weakness – Sewer Billings and Collections

U.S. Attestation Standards (clarified) Section 320 (AT-C 320) codifies standards for reporting on an Examination of Controls at service organizations. An unmodified Type Two Report on Management’s Description of a Service Organization’s System and the Suitability of Design and Operating Effectiveness of Controls in accordance with AT-C 320 should help provide the City with reasonable assurance that sewer billings and collections conform to the contract.

The Village has delegated the processing of sewer billings and collections, which is a significant accounting function, to a third party administrator, Aqua Utility Services. The following internal control weaknesses were noted with regard to the processing of sewer billings and collections:

- Aqua Utility Services is able to provide monthly billing and collection reports to the Village for review, but the Village does not request these reports.
- The Village has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that sewer billings and collections have been completely and accurately processed in accordance with the contract between the Village and Aqua Utility Services.

Aqua Utility Services processed \$181,507 in 2016 and \$157,763 in 2017 in utility receipts for the Village. Due to the lack of controls over the billing and collections of these receipts we were unable to determine if sewer bills and collections were processed properly.

These conditions may not assure the completeness and accuracy of sewer billings and collections processed by the third party administrator.

The Village should request standing data from the service organization, including the name and address of the people being billed. The Village should assign personnel to review the standing data to ensure residents of the Village that should be charged for sewer usage are being charged. The Village should also request billing information from the service organization to ensure correct rates are being used and are being calculated properly according to usage.

Additionally, the Village should request a Type Two SOC 1 report or Agreed Upon Procedures report in its contract with Aqua Utility Services. The Village should review the SOC 1 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. In addition, if agreed upon procedures are to be done, the Auditor of State’s office should be consulted prior to entering into a contract for these services.

Officials’ Response: Fiscal Officer is considering looking into what can be done in this area.

Finding Number	2017-003
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Material Weakness – Financial Reporting

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending; it is therefore necessary the amounts appropriated by Council are precisely stated and accurately posted to the appropriation ledger.

**Finding Number - 2017-003
 (Continued)**

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available; it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

At year-end for 2017 and 2016, the amounts per the Village's accounting system did not agree to the certificate of estimated resources in the funds noted below:

Fund	2017 Original Certificate of Estimated Resources	2017 UAN Estimated Revenue	Variance
General	\$1,134,466	\$1,216,530	\$82,064
Special Revenue	85,742	100,529	14,787
Debt Service	11,004	16,226	5,222
Capital Projects	194,018	113,218	(80,800)
Enterprise	665,055	735,784	70,729
Total	\$2,090,285	\$2,182,287	\$92,002

Fund	2016 Original Certificate of Estimated Resources	2016 UAN Estimated Revenue	Variance
General	\$1,160,366	\$1,178,881	\$18,515
Special Revenue	98,110	105,657	7,547
Debt Service	14,811	14,811	0
Capital Projects	1,030,076	1,175,248	145,172
Enterprise	777,759	632,586	(145,173)
Total	\$3,081,122	\$3,107,183	\$26,061

**Finding Number - 2017-003
(Continued)**

Also, the amounts in the Deposits and Investment notes were not accurate in 2016 and 2017. The total deposit amounts in the Deposits and Investment notes were understated by \$131,465 in 2016 and by \$107,628 in 2017.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Additionally, the Fiscal Officer should review the notes to the financial statements prior to filing them in the Hinkle System to ensure they are accurate and current.

Official's Response: The Fiscal Officer is working on correcting this.

VILLAGE OF LOWELLVILLE

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Mayor / James Iudiciani Sr.
Administrator / Richard Day

Clerk-Treasurer /Carol Flora
Tax Commissioner / Tom Collins

VILLAGE OF LOWELLVILLE MAHONING COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2015-001	On-Behalf Payments not recorded.	Not corrected	Reported again as finding 2017-001. Fiscal Officer has corrected this for 2018.
2015-002	Transfer was made without Council approval.	Corrected	
2015-003	No reconciliation for Mayor's Court.	Not fully corrected	Reported in management letter. No longer a Mayor's Court.
2015-004	Disbursements were incorrectly recorded.	Not fully corrected	Reported in management letter. Fiscal Officer has added line items for principal and interest for 2018.
2015-005	Lack of controls over water and sewer billings.	Not corrected	Reported again as finding 2017-002. Fiscal Officer is considering looking into what can be done in this area.

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OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LOWELLVILLE

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2019**