

**VILLAGE OF LOWELL  
WASHINGTON COUNTY  
Regular Audit  
December 31, 2005 and 2004**





**Auditor of State  
Betty Montgomery**

Honorable Mayor and  
Members of Village Council  
Village of Lowell  
P. O. Box 337  
Lowell, Ohio 45744

We have reviewed the *Independent Accountant's Report* of the Village of Lowell, Washington County, prepared by Perry and Associates, Certified Public Accountants, A.C., for the audit period January 1, 2004 through December 31, 2005. 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.

The 2004 financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 29, 2006

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**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

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

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**INDEPENDENT ACCOUNTANTS' REPORT**

September 20, 2006

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

To the Board of Trustees:

We have audited the accompanying financial statements of Village of Lowell, Washington County, Ohio, (the Village) as of and for the year ended December 31, 2004. In addition, we have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Village of Lowell, Washington County, Ohio as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As described more fully in Note 2, the Village has prepared the 2004 financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material. Also, as discussed in Note 2, the accompanying 2005 financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its 2004 statements. Since the Village does not use GAAP to measure the 2004 financial statement amounts, the following paragraph does not imply the amounts reported for the year ended December 31, 2004 are materially misstated under the accounting basis the Auditor of State permits.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004 or their changes in financial position for the year then ended.

Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, the financial statements referred to above for the year ended December 31, 2005 present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2005, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the MVL Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Lowell, Washington County, as of December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Government has not presented Management's Discussion and Analysis as of December 31, 2004, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006, 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.

Village of Lowell  
Washington County  
Independent Accountants' Report  
Page 3

Management's Discussion and analysis and the respective budgetary comparison for the General Fund and the Street Construction, Maintenance, and Repair Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures consisting of inquires 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,

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



**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Village of Lowell's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2005, within the limitations of the Government's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

**Governmental Activities**

Net assets of governmental activities increase \$6,742, or 13%, from the prior year. The General fund was the only governmental fund to increase in net assets. The Street fund suffered a decrease of \$1,534 and the other governmental funds experienced a decrease of \$4,154.

The Government's general receipts are primarily property taxes and intergovernmental revenues. These receipts represent respectively \$13,500 and \$56,912, and 60% of the total cash received for governmental activities during the year. A major expense for the General fund is street lighting which cost the village \$8,500 in 2005.

The Street fund expenses included major repairs to the East Street ditch and alley repaving between Third and Fourth Street from Walnut to Market Street. Expenses were incurred from both the Street and State Highway funds for culvert replacement at the intersection of State Route 60 and State Route 530.

Lowell's contribution to the Issue II paving project was \$5,773. These expenses were incurred from the Permissive Motor Vehicle License Tax fund.

**Business Activities**

The Village of Lowell has five enterprise funds: 1) Water, 2) Sewer, 3) First Mortgage OWDA, 4) Advanced Water Deposits, and 5) Swimming Pool. The overall change in net assets for these funds was an increase of \$3,156 with the Water fund reporting a decrease in assets in the amount of \$4,090 or 7%.

**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 Government's cash basis of accounting.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government 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 Government 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 Government's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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 Government as a Whole**

The statement of net assets and the statement of activities reflect how the Government did financially during 2005, 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 Government 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 Government's general receipts.

These statements report the Government'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 Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other non-financial factors as well, such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government'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 and income taxes.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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**Reporting the Government as a Whole (continued)**

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

Governmental activities. Most of the Government's basic services are reported here, including police, streets and parks. State and federal grants and income 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 Government's business-type activities, include the provision of Water, the Sewer fund, First mortgage OWDA, Advanced Water Deposits, and the Swimming Pool fund.

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

Fund financial statements provide detailed information about the Government's major funds – not the Government as a whole. The Government 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 Government are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government'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 Government's programs. The Government'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 Government's only major governmental fund is the General Fund. 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 the reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Government 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 Government has five enterprise funds. When the services are provided to other departments of the Government, the service is reported as an internal service fund. The Government has no internal service funds.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**The Government as a Whole**

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a cash basis:  
(Table 1)

**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Cash and Cash Equivalents	35,315	30,153	83,011	84,854	118,326	115,007
Investments	23,212	21,631	94,298	89,299	117,510	110,930
Total Assets	58,527	51,784	177,309	174,153	235,836	225,937
<b>Net Assets</b>						
Restricted for:					-	-
Debt Service			94,577	88,958	94,577	88,958
Other Purposes	26,235		4,557	4,932	30,792	4,932
Unrestricted	32,292	51,784	78,175	80,263	110,467	132,047
Total Net Assets	58,527	51,784	177,309	174,153	235,836	225,937

As mentioned previously, net assets of governmental activities increased \$6,742, or 13% during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Property tax collections were \$2,000 more than budgeted.
- Intergovernmental revenues were \$1,000 more than budgeted.
- Reduction in expenses for the police force. Although not ideal, this department is the most susceptible to cuts in spending.
- Careful monitoring of General fund expenses.
- No emergencies or major unplanned expenses within Governmental Activities occurred during 2005.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**The Government as a Whole (Continued)**

Table 2 reflects the changes in net assets in 2005. Since the Government did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**TABLE 2  
CHANGE IN NET ASSETS**

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales		\$143,364	\$143,364
Total Program Receipts	0	143,364	143,364
General Receipts:			
Property and Other Local Taxes	13,500		13,500
Grants and Entitlements Not Restricted to Specific Programs	91,527		91,527
Interest	3,301		3,301
Miscellaneous *	4,558	7,622	12,180
Total General Receipts	112,886	7,622	120,508
Total Receipts	112,886	150,986	263,872
Disbursements:			
General Government **	52,036		52,036
Security of Persons and Property	16,091		16,091
Public Health Services	1,699		1,699
Leisure Time Activities	2,465		2,465
Economic Development	345		345
Transportation	33,554		33,554
Capital Outlay		3,571	3,571
Water, Sewer, Swim. Pool, Adv Dep.		144,809	144,809
Total Disbursements	106,190	148,380	254,570
Excess (Deficiency) Before Transfers	6,696	2,606	9,302
Transfers	(550)	550	0
Other Financing Uses/Sources	597		597
Increase (Decrease) in Net Assets	6,743	3,156	9,899
Net Assets, January 1, 2005	51,784	174,153	225,937
Net Assets, December 31, 2005	\$58,527	\$177,309	\$235,836

\*Miscellaneous Business Activities represents a donation in the amount of \$2,000 to the Swimming Pool fund and collections of \$5,619 over the principal and interest payments made in 2005 for the First Mortgage OWDA fund. See *Statement of Activities – Cash Basis For the Year Ended December 31, 2005*.

\*\* General Government disbursements has an addition of \$129 for Other Expenses. See *Statement of Activities – Cash Basis For the Year Ended December 31, 2005*.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**The Government as a Whole (Continued)**

General receipts represent 69% of the Governmental funds total receipts, and of this amount, over 12% was local taxes. Miscellaneous receipts included Buell Island Park shelter rent and deposits along with one donation. The village accrued interest on investments in the amount of \$3,301. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government 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 parks and playing fields; the economic development department promotes the Government to industry and commerce as well as working with other governments 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 Government. 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 49%, 32% and 15% 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 Government 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 which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Governmental Activities (continued)**

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$52,036	\$52,031
Security of Persons and Property	16,091	16,091
Public Health Services	1,699	1,699
Leisure Time Activities	2,465	2,465
Economic Development	345	309
Transportation	33,554	8,863
Interest and Other Fiscal Charges	129	129
<b>Total Expenses</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 \$12,391 due primarily to a recurring slip on State Route 530 that required extensive repair. The Sewer Operating fund has 286 users. Sewer rates are calculated at 200% of water usage.

The Sewer fund receipts exceeded disbursements by \$9,620 in 2005. 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. In 2005, receipts exceeded disbursements by \$5,619.

The village swimming pool had disbursements which exceeded receipts in the amount of \$1,870. The fund was kept solvent with a \$2,000 donation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Governmental Activities (Continued)**

**The Government's Funds**

Total governmental funds had receipts of \$117,762 and disbursements of \$111,020. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased by \$8,992 as the result of increased property taxes above budget and decreased spending, specifically within the Police department budget.

Although the General fund maintained a surplus balance, cutting Police department spending is a less than ideal method to contain expenses. It was the recommendation of the finance 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 2006 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 Government'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 above original budgeted receipts due to unexpected growth in tax receipts. The difference between final budgeted receipts and actual receipts was approximately \$500.

Final disbursements were budgeted at \$99,045 while actual disbursements were \$72,956. With receipts exceeding expectations, appropriations were amended, but not until December 2005. The Government kept spending below budgeted amounts in most instances. Transfers from the General fund to other funds were minimal with one transfer of \$550. The result is the increase in fund balance of \$8,992 for 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

The Government 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 2007.

**Debt**

At December 31, 2005, the Government's only outstanding debt included \$383,598 principal balance for the First Mortgage OWDA sewer plant. For further information regarding the Government's debt, refer to Note 14 to the basic financial statements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Capital Assets and Debt Administration (continued)**

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. 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 increases were unlikely. We then reviewed the disbursement history of the Government. 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 Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government'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 Annie Smith, Clerk-Treasurer, Village of Lowell, P.O. Box 337, 308 Walnut Street, Lowell, Ohio 45744

**Village of Lowell, Washington County**  
*Statement of Net Assets - Cash Basis*  
 December 31, 2005

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash	\$ 35,315	83,011	\$ 118,326
Investments	\$ 23,212	\$ 94,298	\$ 117,510
<i>Total Assets</i>	<u>58,527</u>	<u>177,309</u>	<u>235,836</u>
<b>Net Assets</b>			
Restricted for:			
Other Purposes	26,235		\$ 26,235
Unrestricted	32,292	177,309	\$ 209,601
<i>Total Net Assets</i>	<u>\$ 58,527</u>	<u>\$ 177,309</u>	<u>\$ 235,836</u>

See accompanying notes to the basic financial statements

**Village of Lowell, Washington County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	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	\$ 16,091	\$	\$	\$	\$ (16,091)	\$	\$ (16,091)
Public Health Services	1,699				(1,699)		(1,699)
Leisure Time Activities	2,465				(2,465)		(2,465)
Community Environment	345	36			(309)		(309)
Transportation	33,554		24,691		(8,863)		(8,863)
General Government	52,036	5			(52,031)		(52,031)
Other	129				(129)		(129)
<b>Total Governmental Activities</b>	<b>\$ 106,319</b>	<b>\$ 41</b>	<b>\$ 24,691</b>	<b>\$ -</b>	<b>\$ (81,587)</b>		<b>\$ (81,587)</b>
<b>Business Type Activities</b>							
Water Operating	\$ 72,643	\$ 60,252	\$	\$	\$	\$ (12,391)	\$ (12,391)
Sewer Operating	55,829	65,449				9,620	9,620
Swimming Pool	15,982	14,112	2,000			130	130
First Mortgage Debt Service OWDA	62,371			67,990		5,619	5,619
Advanced Water Deposits	3,925	3,550				(375)	(375)
<b>Total Business Type Activities</b>	<b>\$ 210,750</b>	<b>\$ 143,363</b>	<b>\$ 2,000</b>	<b>\$ 67,990</b>	<b>\$ -</b>	<b>\$ 2,603</b>	<b>\$ 2,603</b>
<b>Total Primary Government</b>	<b>\$ 317,069</b>	<b>\$ 143,404</b>	<b>\$ 26,691</b>	<b>\$ 67,990</b>	<b>\$ (81,587)</b>	<b>\$ 2,603</b>	<b>\$ (78,984)</b>

	Net (Disbursements) Receipts and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts</b>			
Property Taxes	15,221		\$ 15,221
Grants and Entitlements not Restricted to Specific Program	65,116		65,116
Earnings on Investments	3,301		3,301
Miscellaneous	4,539	3	4,542
<b>Total General Receipts</b>	<b>88,177</b>	<b>3</b>	<b>\$ 88,180</b>
Transfers	(550)	550	0
Other Financing Sources	703		703
<b>Total Receipts</b>	<b>\$ 88,330</b>	<b>\$ 553</b>	<b>\$ 88,883</b>
Change in Net Assets	6,743	3,156	9,899
<i>Net Assets Beginning of Year</i>	51,784	174,153	225,937
<i>Net Assets End of Year</i>	<b>\$ 58,527</b>	<b>\$ 177,309</b>	<b>\$ 235,836</b>

See accompanying notes to the basic financial statements

**Village of Lowell, Washington County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	<u>General</u>	<u>Street Construction Maint. Rep.</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 32,292	\$ 23,521	\$ 2,714	\$ 58,527
<i>Total Assets</i>	<u>32,292</u>	<u>23,521</u>	<u>2,714</u>	<u>58,527</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	32,292			32,292
Special Revenue Funds		23,521	2,714	26,235
<i>Total Fund Balances</i>	<u>\$ 32,292</u>	<u>\$ 23,521</u>	<u>\$ 2,714</u>	<u>\$ 58,527</u>

See accompanying notes to the basic financial statements

**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, 2005*

	General	Street Construction Maint. Rep.	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 13,500		\$ -	\$ 13,500
Intergovernmental	56,912	22,860	11,755	91,527
Fines, Licenses and Permits	41			41
Earnings on Investments	3,241	55	5	3,301
Miscellaneous	4,081	436		4,517
<i>Total Receipts</i>	<u>77,775</u>	<u>23,351</u>	<u>11,760</u>	<u>112,886</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	16,091			16,091
Public Health Services	1,699			1,699
Leisure Time Activities	2,465			2,465
Community Environment			345	345
Transportation		24,875	8,679	33,554
General Government	52,036			52,036
<i>Total Disbursements</i>	<u>72,291</u>	<u>24,875</u>	<u>9,024</u>	<u>106,190</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,484</u>	<u>(1,524)</u>	<u>2,736</u>	<u>6,696</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(550)			(550)
Advances In	4,151			4,151
Advances Out			(4,151)	(4,151)
Other Financing Sources	22		703	725
Other Financing Uses	(115)	(11)	(3)	(129)
<i>Total Other Financing Sources (Uses)</i>	<u>3,508</u>	<u>(11)</u>	<u>(3,451)</u>	<u>46</u>
<i>Net Change in Fund Balances</i>	8,992	(1,535)	(715)	6,742
<i>Fund Balances Beginning of Year</i>	<u>23,300</u>	<u>25,056</u>	<u>3,429</u>	<u>51,785</u>
<i>Fund Balances End of Year</i>	<u>\$ 32,292</u>	<u>\$ 23,521</u>	<u>\$ 2,714</u>	<u>\$ 58,527</u>

See accompanying notes to the basic financial statements

**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, 2005*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 11,400	\$ 13,500	\$ 13,500	\$ -
Intergovernmental	55,306	56,944	56,912	(32)
Fines, Licenses and Permits	260	260	41	(219)
Earnings on Investments	2,600	2,618	3,241	623
Other	4,600	4,600	4,081	(519)
<i>Total receipts</i>	<u>74,166</u>	<u>77,922</u>	<u>77,775</u>	<u>(147)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	24,700	24,700	16,091	8,609
Public Health Services	1,700	1,700	1,699	1
Leisure Time Activities	2,800	2,800	2,465	335
Community Environment	100	100		100
General Government	62,267	62,267	52,036	10,231
<i>Total Disbursements</i>	<u>91,567</u>	<u>91,567</u>	<u>72,291</u>	<u>19,276</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,401)</u>	<u>(13,645)</u>	<u>5,484</u>	<u>19,129</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(550)	(500)	(550)	(50)
Advances In			4,151	4,151
Other Financing Sources	1,000	1,000	22	(978)
Other Financing Uses	(6,928)	(6,928)	(115)	6,813
<i>Total Other Financing Sources (Uses)</i>	<u>(6,478)</u>	<u>(6,428)</u>	<u>3,508</u>	<u>9,936</u>
<i>Net Change in Fund Balance</i>	<u>(23,879)</u>	<u>(20,073)</u>	<u>8,992</u>	<u>29,065</u>
<i>Fund Balance Beginning of Year</i>	<u>23,300</u>	<u>23,300</u>	<u>23,300</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ (579)</u>	<u>\$ 3,227</u>	<u>\$ 32,292</u>	<u>\$ 29,065</u>

See accompanying notes to the basic financial statements

**Village of Lowell, Washington County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*2011 Street Construction Maint. And Repair*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	21,000	24,068	22,860	(1,208)
Earnings on Investment	30	50	55	5
Other	300	436	436	0
<i>Total receipts</i>	<u>21,330</u>	<u>24,554</u>	<u>23,351</u>	<u>(1,203)</u>
<b>Disbursements</b>				
Current:				
Transportation	33,698	33,698	24,875	8,823
Capital Outlay	5,000	5,000		5,000
<i>Total Disbursements</i>	<u>38,698</u>	<u>38,698</u>	<u>24,875</u>	<u>13,823</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,368)</u>	<u>(14,144)</u>	<u>(1,524)</u>	<u>12,620</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	(3,677)	(3,677)	(11)	3,666
<i>Total Other Financing Sources (Uses)</i>	<u>(3,677)</u>	<u>(3,677)</u>	<u>(11)</u>	<u>3,666</u>
<i>Net Change in Fund Balance</i>	(21,045)	(17,821)	(1,535)	16,286
<i>Fund Balance Beginning of Year</i>	<u>25,056</u>	<u>25,056</u>	<u>25,056</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 4,011</u>	<u>\$ 7,235</u>	<u>\$ 23,521</u>	<u>\$ 16,286</u>

See accompanying notes to the basic financial statement

**Village of Lowell, Washington County**  
*Statement of Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2005*

	Water Operating	Sewer Operating	First Mort. OWDA User Fee	Non-Major Enterprise Funds	Total
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 57,204	\$ 20,267	\$ 94,577	\$ 5,261	\$ 177,309
<i>Total Assets</i>	<u>57,204</u>	<u>20,267</u>	<u>94,577</u>	<u>5,261</u>	<u>177,309</u>
<b>Net Assets</b>					
Restricted for:					
Debt Service			\$ 94,577		\$ 94,577
Other Purposes				4,557	\$ 4,557
Unrestricted	\$ 57,204	\$ 20,267		\$ 704	\$ 78,175
<i>Total Net Assets</i>	<u>\$ 57,204</u>	<u>\$ 20,267</u>	<u>\$ 94,577</u>	<u>\$ 5,261</u>	<u>\$ 177,309</u>

See accompanying notes to the basic financial statements



**Village of Lowell, Washington County**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2005*

	Water Operating	Sewer Operating	First Mort OWDA User Fee	Other Enterprise Funds	Total Enterprise Funds
<b>Operating Receipts</b>					
Charges for Services	\$ 60,253	\$ 65,449		\$ 17,662	\$ 143,364
<i>Total Receipts</i>	<u>60,253</u>	<u>65,449</u>		<u>17,662</u>	<u>143,364</u>
<b>Operating Disbursements</b>					
Personal Services	26,882	25,392		9,409	61,683
Employee Fringe Benefits	4,572	4,657		1,430	10,659
Contractual Services	11,035	12,604			23,639
Supplies and Materials	26,583	13,176		5,143	44,902
Other				3,925	3,925
<i>Total Disbursements</i>	<u>69,072</u>	<u>55,829</u>		<u>19,907</u>	<u>144,808</u>
<i>Operating Income (Loss)</i>	(8,819)	9,620		(2,245)	(1,444)
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,819)</u>	<u>9,620</u>		<u>(2,245)</u>	<u>(1,444)</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Special Assessments			67,990		67,990
Miscellaneous Receipts				2,002	2,002
Capital Outlay	(3,572)				(3,572)
Principal Payments			(34,364)		(34,364)
Interest and Fiscal Charges			(28,007)		(28,007)
Transfers In				550	550
Advances In	8,300				8,300
Advances Out		(8,300)			(8,300)
<i>Total Other Financing Sources (Uses)</i>	<u>4,728</u>	<u>(8,300)</u>	<u>5,619</u>	<u>2,552</u>	<u>4,599</u>
<i>Net Change in Net Assets</i>	(4,091)	1,320	5,619	307	3,155
<i>Net Assets Beginning of Year</i>	<u>61,295</u>	<u>18,947</u>	<u>88,958</u>	<u>4,954</u>	<u>174,154</u>
<i>Net Assets End of Year</i>	<u>\$ 57,204</u>	<u>\$ 20,267</u>	<u>\$ 94,577</u>	<u>\$ 5,261</u>	<u>\$ 177,309</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$11,755		\$11,755
Intergovernmental	55,413	23,428	78,841
Fines, Licenses, and Permits	\$578		578
Earnings on Investments	2,568	28	2,596
Miscellaneous Revenue	4,761		4,761
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	75,075	23,456	98,531
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	19,739		19,739
Public Health Services	1,656		1,656
Leisure Time Activities	1,802		1,802
Community Environment		437	437
Transportation		14,883	14,883
General Government	58,145	265	58,410
Capital Outlay		5,698	5,698
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	81,342	21,283	102,625
Total Cash Receipts Over/(Under) Disbursements	(6,267)	2,173	(4,094)
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-Out	(1,719)		(1,719)
Other Sources	28	2,691	2,719
Other Uses	(472)	(39)	(511)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(2,163)	2,652	489
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,430)	4,825	(3,605)
Fund Cash Balances, January 1	31,730	23,659	55,389
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$23,300</u></b>	<b><u>\$28,484</u></b>	<b><u>\$51,784</u></b>

See accompanying notes to the basic financial statements

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Revenues:</b>	
Charges for Services	140,572
Miscellaneous	975
	141,547
<b>Operating Expenses:</b>	
Personal Services	59,637
Fringe Benefits	10,842
Contractual Services	31,293
Material and Supplies	29,899
Miscellaneous	3,550
Capital Outlay	2,002
	137,223
Total Operating Cash Disbursements	137,223
Operating Income (Loss)	4,324
<b>Non-operating Receipts:</b>	
Special Assessments	68,730
	68,730
Total Nonoperating Expenses	68,730
<b>Non-operating Cash Disbursements:</b>	
Miscellaneous	15
Debt Service:	
Redemption of Principal	(31,742)
Interest and Fiscal Charges	(30,229)
Other Financing Sources	1
	1
Total Non-Operating Receipts/Disbursements	6,775
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	11,099
Transfers-In	1,719
Advances-In	8,000
Advances-Out	(\$8,000)
	12,818
Net Income (Loss)	12,818
Fund Cash Balances, January 1	161,334
<b>Fund Cash Balances, December 31</b>	<b>\$174,152</b>

See accompanying notes to the basic financial statements

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**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 Trustees 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, are elected to serve for 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 which 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:

Lowell Octoberfest  
Lowell Springfest  
Lowell Community Television

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

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

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

**A. Basis of Accounting**

As discussed further in Note 2.C, 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.

For 2005, 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.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

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

**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.

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.

For 2004, the Township's basic financial statement consists of a Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances for all Governmental and Proprietary Fund Types.

**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.

**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 fund is the General Fund. There are two additional governmental funds: the Street Construction Maintenance and Repair fund and the State Highway fund. The Street fund is established to care, 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 State Highway fund is established to maintain portions of State Route 60 and State Route 530 that navigate through the village. 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 other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

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

**B. Fund Accounting (continued)**

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.

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 the water, sewer, OWDA first mortgage, advanced water deposits, and swimming pool funds.

Water Fund - The water fund accounts for the provision of water to the 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 – is a fund that collects a monthly \$20.00 user fee for 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 renters moving out.

Swimming Pool Fund – this fund oversees the operation of the Village's public swimming pool, located on Buell Island.

Internal Service Fund - Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village has no internal service funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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. The Village has no fiduciary funds.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

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

For 2004, the Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**General Fund**

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

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

**Capital Project Funds**

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

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

**Enterprise Funds**

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

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

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

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



**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

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

**C. Basis of Presentation**

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 in 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.

**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 level 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."

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

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

**E. Cash and Investments (continued)**

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 2005, 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 are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the Governmental Fund types during 2005 was \$3,301.

**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 represent \$94,577 for the OWDA First Mortgage fund and \$4,557 for 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 inter-fund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

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

**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 their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, 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. It is not necessary to record a capital asset when entering into a capital lease because it is the result of a cash transaction. Neither other financing sources nor capital outlay expenditures are 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 and Maintenance 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.

**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 which 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 for repayment are reported as inter-fund transfers. Inter-fund 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.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Also as described in note 2, the Village has NOT elected to report inventory, prepaid items, inter-fund receivables (payables), capital assets, and long-term debt as part of the cash basis of accounting.

**Note 4 – Accountability and Compliance**

**A. Accountability**

The village ended the year with no deficit fund balances however \$550 was transferred from the General fund to the Swimming Pool fund in order to meet expenses.

**B. Compliance**

The Village did not properly encumber certain Village disbursements as required by Ohio Revised Code.

**Note 5 – Budgetary Basis 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 and the Street Construction, Maintenance, and Repair 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 inter-fund receivable or payable (cash basis). There were no outstanding encumbrances at year end and no outstanding advances.

Budgetary activity for the year ended December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,890	\$75,103	(\$4,787)
Special Revenue	32,576	26,147	(6,429)
Proprietary	226,336	220,012	(6,324)
Total	\$338,802	\$321,262	(\$17,540)

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 5 – Budgetary Basis of Accounting (continued)**

Budgetary activity for the year ended December 31, 2004 follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,121	\$83,533	\$29,588
Special Revenue	49,315	21,322	27,993
Fiduciary	364,784	207,194	157,590
Total	\$527,220	\$312,049	\$215,171

**Note 6 – 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.

Interim deposits are deposits of interim monies. Interim monies are those monies which 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 States 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;

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 6 - Deposits and Investments (continued)**

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).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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, the Village had \$113.00 in undeposited cash on hand which consists of petty cash and change for the Water/Sewer billing clerk.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the Village's deposits was \$118,325 and the bank balance was \$128,662. Of the bank balance \$100,000 was covered by federal depository insurance and \$28,662 was uninsured. The uninsured funds are protected by securities pledge by People Bank as collateral. See Attachment B. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 6 - Deposits and Investments (continued)**

The Village's investments are required to be categorized to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and -unregistered investments which are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Village's name. The investments in U.S. Treasury Bills are classified in category three. Investments in STAR Ohio and the money market mutual fund are not classified since they are not evidenced by securities that exist in physical or book-entry form.

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.

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$28,662 of the Village's bank balance of \$128,662 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. The uninsured funds are protected by securities pledge by People Bank as collateral.

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.

**Investments**

As of December 31, 2005, the Village had the following investments:

	<u>Carrying Value</u>
<i>STAR Ohio</i>	52,368
<i>Certificates of Deposit</i>	64,142
Total Portfolio	<u>\$ 117,510</u>

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 6 - Deposits and Investments (continued)**

STAR Ohio carries a rating of AAA 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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Note 7 – Income Taxes**

The Village levies no income tax on its residents.

**Note 8 – 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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.



**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 8 – Property Taxes (continued)**

The full tax rate for all Village operations for the year ended December 31, 2005, was \$3 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$3,545,090
Agriculture	2,020
Commercial/Industrial/Mineral	607,260
Public Utility Property	
Real	0
Personal	264,750
Tangible Personal Property	118,070
Total Assessed Value	\$4,537,190

**Note 9 – Inter-fund Receivables/Payables**

No inter-fund balances existed at December 31, 2005.

**Note 10 – Risk Management**

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Assets	\$2,241,661	\$2,309,178
Liabilities	<u>(3,457,720)</u>	<u>(3,343,299)</u>
Accumulated deficit	<u>\$(1,216,059)</u>	<u>\$(1,034,121)</u>

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 11 – Defined Benefit Pension Plans**

**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.

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 year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.70 percent of covered payroll. 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, 2005, 2004, and 2003 were \$13,676, \$13,453, and \$13,355 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 12 - 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. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

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, 2004, include a rate of return on investments of 8.00 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 6.3 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.

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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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 13 - Notes Payable**

The village incurred no new debt for the year ending December 31, 2005.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 14 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2005 is expressed in the financial statements as the First Mortgage OWDA loan for the sewer plant.

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

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.

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan	\$ 383,598.51	8.26 %

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

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

	<u>Promissory Note</u>
Year ending December 31:	
2006	\$ 62,579
2007	63,029
2008	63,516
2009	64,044
2010	64,615
2011-2013	<u>197,763</u>
Total	<u>\$515,546</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.

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(continued)**

**Note 16 – Inter-fund Transfers**

During 2005 the following transfers were made:

Transfers from the General Fund to: Swimming Pool Fund (Enterprise)	\$550
Total Transfers from the General Fund	<u>\$550</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.

**Note 17 – Contingent Liabilities**

The Village has applied for a grant through the Ohio Department of Development under the CDBG Water and Sewer Competitive Program. This program is federally funded and administered by the state. The purpose of the application is to install a new six inch water line from the Village onto Buell Island, replacing the current two inch line. Should this grant be approved, the Village will incur a debt for the matching funds in the amount of \$93,500.

**Note 18 – Public Entity Risk Pool**

The Village belongs to the Public Entities Pool of Ohio. 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 entity 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, 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.

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

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Parkersburg, WV 26101  
(304) 422-2203

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428 Second Street  
Marietta, OH 45750  
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

September 20, 2006

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

To the Board of Trustees:

We have audited the financial statements of Village of Lowell, Washington County, (the Village ) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 20, 2006, wherein we noted the financial statements for the period ended December 31, 2004 the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Village of Lowell, Washington County, (the Village ) as of and for the year ended December 31, 2005, which collectively comprise the Village 's basic financial statements and have issued our report thereon dated September 20, 2006. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 20, 2006, we reported matters involving internal control over financial reporting that do not require inclusion in this report.

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

### **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 one instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

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

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

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.



**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-001 (Continued)**

**Ohio Revised Code § 5705.41(D)(1) (Continued)**

The Township did not properly certify the availability of funds prior to purchase commitment for 13% of the expenditures tested during 2005 and 30% of expenditures tested during 2004 and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures.

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

**Management's Response – Management chose not to respond.**

**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC § 5705.41(D) – not properly certifying funds	No	Repeated as finding 2005-001



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**VILLAGE OF LOWELL  
WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 12, 2006**