



Dave Yost • Auditor of State

VILLAGE OF LOWELLVILLE
MAHONING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Lowellville
Mahoning County
P.O. Box 124
Lowellville, Ohio 44436

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Lowellville, Mahoning County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinion.

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

The Village has outsourced sewer billings and collections to a service organization. The financial statements report sewer billings and collections in the Sewer Operating Fund (an enterprise fund). The service organization did not provide us with information we requested regarding the design or proper operation of its internal controls or with certain information regarding charges for services. We were therefore unable to obtain sufficient appropriate audit evidence about the proper processing of sewer billings and receipts. Those receipts represent 100 percent of the operating cash receipts reported in 2013 and 100 percent of the operating cash receipts reported in 2012 within the Sewer Operating Fund (an enterprise fund). Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, , the financial statements referred to above present fairly, in all material respects, the combined fund cash balance of the Enterprise Funds of the Village of Lowellville, Mahoning County, as of December 31, 2013 and 2012, and its combined receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Unmodified Opinions

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General, Special Revenue, Debt Service, Capital Projects and Agency funds of the Village of Lowellville, Mahoning County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 17, 2015

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**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|---|------------------|----------------------------|-------------------------|-----------------------------|---|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$92,522 | \$9,204 | \$3,932 | | \$105,658 |
| Municipal Income Tax | 497,855 | | | | 497,855 |
| Intergovernmental | 47,643 | 63,987 | | \$268,700 | 380,330 |
| Special Assessments | 2,070 | | | 8,777 | 10,847 |
| Charges for Services | 166,995 | | | | 166,995 |
| Fines, Licenses and Permits | 17,445 | 170 | | | 17,615 |
| Earnings on Investments | 42 | 4 | | | 46 |
| Miscellaneous | | 3,835 | | 25,000 | 28,835 |
| <i>Total Cash Receipts</i> | <u>824,572</u> | <u>77,200</u> | <u>3,932</u> | <u>302,477</u> | <u>1,208,181</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 365,564 | | | | 365,564 |
| Public Health Services | 4,159 | | | | 4,159 |
| Community Environment | 4,075 | | | | 4,075 |
| Basic Utility Services | | | | 1,500 | 1,500 |
| Transportation | 41,083 | 91,510 | | | 132,593 |
| General Government | 232,041 | 303 | 77 | | 232,421 |
| Capital Outlay | 140,000 | 5,368 | | 263,562 | 408,930 |
| Debt Service: | | | | | |
| Principal Retirement | 26,450 | | | 8,353 | 34,803 |
| Interest and Fiscal Charges | 3,746 | | | 424 | 4,170 |
| <i>Total Cash Disbursements</i> | <u>817,118</u> | <u>97,181</u> | <u>77</u> | <u>273,839</u> | <u>1,188,215</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>7,454</u> | <u>(19,981)</u> | <u>3,855</u> | <u>28,638</u> | <u>19,966</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | | 11,000 | | | 11,000 |
| Transfers Out | (11,000) | | | | (11,000) |
| Other Financing Sources | 45,320 | | | | 45,320 |
| Other Financing Uses | (29,714) | | | | (29,714) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>4,606</u> | <u>11,000</u> | <u>0</u> | <u>0</u> | <u>15,606</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>12,060</u> | <u>(8,981)</u> | <u>3,855</u> | <u>28,638</u> | <u>35,572</u> |
| <i>Fund Cash Balances, January 1</i> | <u>173,729</u> | <u>19,868</u> | <u>2,514</u> | <u>10,726</u> | <u>206,837</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | | 10,887 | 6,369 | 39,364 | 56,620 |
| Unassigned (Deficit) | 185,789 | | | | 185,789 |
| <i>Fund Cash Balances, December 31</i> | <u>\$185,789</u> | <u>\$10,887</u> | <u>\$6,369</u> | <u>\$39,364</u> | <u>\$242,409</u> |

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|---|--------------------------|------------------------|-------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$173,953 | | \$173,953 |
| Fines, Licenses and Permits | | \$1,540 | 1,540 |
| <i>Total Operating Cash Receipts</i> | <u>173,953</u> | <u>1,540</u> | <u>175,493</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 88,144 | | 88,144 |
| Employee Fringe Benefits | 34,682 | | 34,682 |
| Contractual Services | 120,458 | | 120,458 |
| Supplies and Materials | 66,014 | | 66,014 |
| Other | 167 | 1,540 | 1,707 |
| <i>Total Operating Cash Disbursements</i> | <u>309,465</u> | <u>1,540</u> | <u>311,005</u> |
| <i>Operating Income (Loss)</i> | <u>(135,512)</u> | <u>0</u> | <u>(135,512)</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Earnings on Investments (proprietary funds only) | 42 | | 42 |
| Capital Outlay | (22,284) | | (22,284) |
| Other Financing Sources | 200,180 | | 200,180 |
| Other Financing Uses | (46,879) | | (46,879) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>131,059</u> | <u>0</u> | <u>131,059</u> |
| <i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i> | <u>(4,453)</u> | <u>0</u> | <u>(4,453)</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(4,453)</u> | <u>0</u> | <u>(4,453)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>504,506</u> | <u>112</u> | <u>504,618</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$500,053</u></u> | <u><u>\$112</u></u> | <u><u>\$500,165</u></u> |

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|-----------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$90,445 | \$9,249 | \$3,865 | | \$103,559 |
| Municipal Income Tax | 502,317 | | | | 502,317 |
| Intergovernmental | 31,664 | 90,535 | | \$9,851 | 132,050 |
| Special Assessments | | | | 8,777 | 8,777 |
| Charges for Services | 90,520 | | | | 90,520 |
| Fines, Licenses and Permits | 20,897 | 640 | | | 21,537 |
| Earnings on Investments | 88 | 8 | | | 96 |
| Miscellaneous | | 3,390 | | | 3,390 |
| <i>Total Cash Receipts</i> | <u>735,931</u> | <u>103,822</u> | <u>3,865</u> | <u>18,628</u> | <u>862,246</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 321,040 | | | | 321,040 |
| Public Health Services | 4,753 | | | | 4,753 |
| Community Environment | 3,942 | | | 1,999 | 5,941 |
| Transportation | 32,928 | 83,713 | | | 116,641 |
| General Government | 201,871 | 1,137 | 74 | | 203,082 |
| Capital Outlay | 58,457 | 22,113 | | 3,280 | 83,850 |
| Debt Service: | | | | | |
| Principal Retirement | 24,226 | | 4,937 | 8,189 | 37,352 |
| Interest and Fiscal Charges | 4,448 | | 996 | 587 | 6,031 |
| <i>Total Cash Disbursements</i> | <u>651,665</u> | <u>106,963</u> | <u>6,007</u> | <u>14,055</u> | <u>778,690</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>84,266</u> | <u>(3,141)</u> | <u>(2,142)</u> | <u>4,573</u> | <u>83,556</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | | 7,530 | | | 7,530 |
| Transfers Out | (7,530) | | | | (7,530) |
| Other Financing Sources | 12,000 | | | | 12,000 |
| Other Financing Uses | (7,602) | | | | (7,602) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(3,132)</u> | <u>7,530</u> | <u>0</u> | <u>0</u> | <u>4,398</u> |
| <i>Net Change in Fund Cash Balances</i> | 81,134 | 4,389 | (2,142) | 4,573 | 87,954 |
| <i>Fund Cash Balances, January 1</i> | <u>92,595</u> | <u>15,479</u> | <u>4,656</u> | <u>6,154</u> | <u>118,884</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | | 19,868 | 2,514 | 10,727 | 33,109 |
| Unassigned (Deficit) | 173,729 | | | | 173,729 |
| <i>Fund Cash Balances, December 31</i> | <u>\$173,729</u> | <u>\$19,868</u> | <u>\$2,514</u> | <u>\$10,727</u> | <u>\$206,838</u> |

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals |
|---|--------------------------|------------------------|-------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$164,057 | | \$164,057 |
| Fines, Licenses and Permits | | \$6,680 | 6,680 |
| <i>Total Operating Cash Receipts</i> | <u>164,057</u> | <u>6,680</u> | <u>170,737</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 98,843 | | 98,843 |
| Employee Fringe Benefits | 29,751 | | 29,751 |
| Contractual Services | 113,086 | | 113,086 |
| Supplies and Materials | 33,286 | | 33,286 |
| Other | 635 | 6,680 | 7,315 |
| <i>Total Operating Cash Disbursements</i> | <u>275,601</u> | <u>6,680</u> | <u>282,281</u> |
| <i>Operating Income (Loss)</i> | <u>(111,544)</u> | <u>0</u> | <u>(111,544)</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Earnings on Investments (proprietary funds only) | 68 | | 68 |
| Capital Outlay | (16,754) | | (16,754) |
| Other Financing Sources | 164,157 | | 164,157 |
| Other Financing Uses | (2,339) | | (2,339) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>145,132</u> | <u>0</u> | <u>145,132</u> |
| <i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i> | <u>33,588</u> | <u>0</u> | <u>33,588</u> |
| <i>Net Change in Fund Cash Balances</i> | 33,588 | 0 | 33,588 |
| <i>Fund Cash Balances, January 1</i> | <u>470,886</u> | <u>112</u> | <u>470,998</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$504,474</u></u> | <u><u>\$112</u></u> | <u><u>\$504,586</u></u> |

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lowellville, Mahoning County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and general governmental services including road maintenance, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village's investments are held in an interest bearing money market checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Note Retirement Fund - This fund receives property tax money for the payment of various debt instruments.

4. Capital Project Funds

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

Recycling Grant Fund – This fund receives grant monies used to promote recycling in the Village.

Sanitary Sewer Bond Fund – This fund receives special assessment monies to pay for improvements to the wastewater treatment plant.

5. Enterprise Funds

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

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

6. Fiduciary Funds

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

E. Budgetary Process

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

| | 2013 | 2012 |
|--|-----------|-----------|
| Demand deposits | \$383,208 | \$352,098 |
| Other time deposits (savings and NOW accounts) | 359,366 | 359,326 |
| Total deposits | 742,574 | 711,424 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending 2013 and 2012 follows:

| 2013 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$839,387 | \$869,892 | \$30,505 |
| Special Revenue | 90,420 | 88,200 | (2,220) |
| Debt Service | 4,519 | 3,932 | (587) |
| Capital Projects | 3,000 | 302,477 | 299,477 |
| Enterprise | 340,430 | 374,175 | 33,745 |
| Total | \$1,277,756 | \$1,638,676 | \$360,920 |

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$954,913 | \$857,832 | \$97,081 |
| Special Revenue | 105,128 | 97,181 | 7,947 |
| Debt Service | 7,033 | 77 | 6,956 |
| Capital Projects | 274,577 | 273,839 | 738 |
| Enterprise | 521,132 | 378,628 | 142,504 |
| Total | \$1,862,783 | \$1,607,557 | \$255,226 |

| 2012 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$650,097 | \$747,931 | \$97,834 |
| Special Revenue | 81,440 | 111,352 | 29,912 |
| Debt Service | 4,435 | 3,865 | (570) |
| Capital Projects | 18,628 | 18,628 | 0 |
| Enterprise | 311,967 | 328,282 | 16,315 |
| Total | \$1,066,567 | \$1,210,058 | \$143,491 |

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$725,016 | \$666,797 | \$58,219 |
| Special Revenue | 115,278 | 106,963 | 8,315 |
| Debt Service | 6,476 | 6,007 | 469 |
| Capital Projects | 19,165 | 14,055 | 5,110 |
| Enterprise | 475,129 | 294,694 | 180,435 |
| Total | \$1,341,064 | \$1,088,516 | \$252,548 |

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Local Income Tax

The Village levies a municipal income tax of 2.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|------------------|----------------------|
| Ohio Water Development Authority Loan No. 2775 | \$12,824 | 2.00% |
| General Obligation Note | \$74,981 | 3.75% |
| Lease Purchase | \$11,079 | 4.70% |
| Ohio Water Development Authority Loan No. 5480 | 19,625 | 0.00% |
| Total | <u>\$118,509</u> | |

The Ohio Water Development Authority (OWDA) loan number 2775 relates to a water plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$171,352 in loans to the Village for this project. In exchange for treating its leachate, Allied Waste Industries (AWIN) has agreed to pay all of the debt service on the OWDA loans. AWIN's parent company has guaranteed such debt service payments.

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt

The general obligation note was issued in 2011 to pay for the balance of various pieces of equipment for the volunteer fire department along with an additional \$66,254 to purchase a street department truck. The Village's taxing authority collateralized the note.

The Village also entered into a lease agreement for a police cruiser.

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

| Year ending December 31: | OWDA Loan 5480 | OWDA Loan 2775 | Lease Purchase | General Obligation Note |
|--------------------------|-------------------|-------------------|-------------------|-------------------------------|
| 2014 | \$1,189 | \$4,388 | \$5,933 | \$26,465 |
| 2015 | 1,189 | 8,777 | 5,933 | 26,465 |
| 2016 | 1,189 | | | 26,465 |
| 2017 | 1,189 | | | |
| 2018 | 1,189 | | | |
| 2019-2023 | 5,945 | | | |
| 2024-2028 | 5,945 | | | |
| 2029-2030 | 1,789 | | | |
| Total | \$19,624 | \$13,165 | \$11,866 | \$79,395 |

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and up to June 30, 2013, OP&F participants contributed 10% of their wages. From July 1, 2013 to December 31, 2013, OP&F participants contributed 10.75% of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

8. Risk Pool Membership

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

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Pool Membership – (Continued)

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013.

| | 2012 | 2013 |
|-----------------|--------------|--------------|
| Assets | \$13,100,381 | \$13,774,304 |
| Liabilities | (6,687,193) | (7,968,395) |
| Members’ Equity | \$6,413,188 | \$5,805,909 |

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

The Village also belongs to the Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

As authorized by Section 9.833 of the Ohio Revised Code, the OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 92 and 74 members as of December 31, 2012 and 2011 respectively.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Pool Membership – (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2012 and 2011 the latest information available:

| | 2012 | 2011 |
|-----------------|-------------|-------------|
| Assets | \$1,152,610 | \$1,459,791 |
| Liabilities | (1,615,537) | (1,283,527) |
| Members' Equity | \$(462,927) | \$176,264 |

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

9. Restatement of Fund Balance

In 2012 there was an outstanding check recorded as a reconciling item. The check was voided and subsequently added back to the original fund, the sewer fund. The restatement had the following effect on fund balance at January 1, 2013.

| | Enterprise Fund |
|-------------------------------|------------------------|
| Fund Balance, January 1, 2013 | \$ 504,474 |
| Outstanding Check added back | \$ 32 |
| Fund Balance, January 1, 2013 | \$ 504,506 |

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Dave Yost • Auditor of State

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

Village of Lowellville
Mahoning County
P.O. Box 124
Lowellville, Ohio 44436

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Lowellville, Mahoning County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon date February 17, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and the Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts in the Enterprise Funds.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 17, 2015

VILLAGE OF LOWELLVILLE
MAHONING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Material Weakness

The Village has outsourced the processing of customer sewer billings and collections, a significant accounting function, to a service organization. The Village has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that sewer billings and collections have been completely and accurately processed in accordance with the contract between the Village and the service organization. The sewer collections are reported in the Village's financial statements as Enterprise Funds' charges for services. For 2013 and 2012, the amounts were \$173,953 and \$164,057, respectively.

Statement of Standards for Attestation Engagements No. 16 Reporting on Controls at a Service Organization (SSAE No. 16), prescribes standards for reporting on service organizations. An unqualified *Type Two Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SSAE No. 16 should provide the Village with reasonable assurance that sewer billings and collections conform to their contract with the third party administrator.

We recommend the Village require a Type Two SSAE No. 16 report in its contract with the service organization. The Village should review the SSAE No. 16 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. If the service organization refuses to furnish the Village with a Type Two SSAE No. 16 report, we recommend the Village contract with a service organization that will provide this report. As an alternative to a SSAE No. 16 report, the Village may monitor billings and collections its service organization processes.

The Village can monitor these billings and collections by obtaining standing data from the service organization, including the names and addresses of the people being billed. The Village should assign personnel to review the standing data to ensure residents of the Village that should be charged for sewer usage are being charged. The Village should also request billing information from the service organization to ensure correct rates are being applied and are being calculated properly according to usage.

Officials' Response:

The Village is aware of problems with Aqua Ohio billing for the WWTP. This has been an ongoing process for years. We do receive monthly reports from Aqua with amounts and clients. These reports are usually 3 months in arrears. The Village compares the reports to our list of residents and if they are at least \$100 delinquent, we subpoena them into our Mayor's Court to make payment to us. We then send the payment to Aqua and have them credit their accounts. This has been effective in keeping a closer tab on the issue and letting the consumers and Aqua know that we are watching the reports.

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**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|--|-------------------------|--|
| 2011-01 | The Village did not establish procedures to determine whether their service organization that processes sewer billings and collections had sufficient accounting controls in place and were operating effectively. | No | Repeat for current audit. See Finding No. 2013-001 |

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Dave Yost • Auditor of State

VILLAGE OF LOWELLVILLE

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2015**