



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lowellville, Mahoning County, Ohio (the Village), as of and for the year ended December 31, 2015.

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 audit opinions.

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 (GAAP), to satisfy these requirements.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Additional Opinion Qualification and Unmodified Opinions on Regulatory Basis of Accounting* paragraphs 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, 2015, 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 within the Sewer Operating Fund (an enterprise fund). Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the Village of Lowellville, Mahoning County, as of December 31, 2015, and its receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Unmodified Opinions on Regulatory Basis of Accounting

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, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, 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

November 22, 2016

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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, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$105,972	\$9,487	\$4,207		\$119,666
Municipal Income Tax	481,976				481,976
Intergovernmental	79,095	64,651		\$87,452	231,198
Special Assessments				4,388	4,388
Charges for Services	169,178				169,178
Fines, Licenses and Permits	16,869	220			17,089
Earnings on Investments	32	3			35
Miscellaneous	3,466	3,769			7,235
<i>Total Cash Receipts</i>	<u>856,588</u>	<u>78,130</u>	<u>4,207</u>	<u>91,840</u>	<u>1,030,765</u>
Cash Disbursements					
Current:					
Security of Persons and Property	381,682				381,682
Public Health Services	5,010				5,010
Community Environment	3,726				3,726
Basic Utility Services				2,250	2,250
Transportation	96,407	92,445			188,852
General Government	266,176	140	319		266,635
Capital Outlay	167,278	1,000		85,760	254,038
Debt Service:					
Principal Retirement			4,035	53,783	57,818
Interest and Fiscal Charges				39,139	39,139
<i>Total Cash Disbursements</i>	<u>920,279</u>	<u>93,585</u>	<u>4,354</u>	<u>180,932</u>	<u>1,199,150</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(63,691)</u>	<u>(15,455)</u>	<u>(147)</u>	<u>(89,092)</u>	<u>(168,385)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	200				200
Transfers In		13,000		86,689	99,689
Transfers Out	(56,398)				(56,398)
Other Financing Sources	33,560				33,560
Other Financing Uses	(11,075)				(11,075)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(33,713)</u>	<u>13,000</u>		<u>86,689</u>	<u>65,976</u>
<i>Net Change in Fund Cash Balances</i>	<u>(97,404)</u>	<u>(2,455)</u>	<u>(147)</u>	<u>(2,403)</u>	<u>(102,409)</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>210,763</u>	<u>21,816</u>	<u>4,438</u>	<u>15,426</u>	<u>252,443</u>
Fund Cash Balances, December 31					
Restricted		19,361	2,392	13,023	34,776
Unassigned (Deficit)	113,359		1,899		115,258
<i>Fund Cash Balances, December 31</i>	<u>\$113,359</u>	<u>\$19,361</u>	<u>\$4,291</u>	<u>\$13,023</u>	<u>\$150,034</u>

**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, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$159,664		\$159,664
Fines, Licenses and Permits		\$1,960	1,960
<i>Total Operating Cash Receipts</i>	<u>159,664</u>	<u>1,960</u>	<u>161,624</u>
Operating Cash Disbursements			
Personal Services	107,765		107,765
Employee Fringe Benefits	40,631		40,631
Contractual Services	123,306		123,306
Supplies and Materials	154,508		154,508
Other	500	1,960	2,460
<i>Total Operating Cash Disbursements</i>	<u>426,710</u>	<u>1,960</u>	<u>428,670</u>
<i>Operating Income (Loss)</i>	<u>(267,046)</u>		<u>(267,046)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	879,171		879,171
Special Assessments			0
Earnings on Investments (proprietary funds only)	34		34
Capital Outlay	(938,446)		(938,446)
Principal Retirement			0
Other Financing Sources	183,455		183,455
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>124,214</u>		<u>124,214</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(142,832)</u>		<u>(142,832)</u>
Transfers Out	(43,291)		(43,291)
<i>Net Change in Fund Cash Balances</i>	<u>(186,123)</u>		<u>(186,123)</u>
<i>Fund Cash Balances, January 1</i>	<u>479,389</u>	<u>112</u>	<u>479,501</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$293,266</u></u>	<u><u>\$112</u></u>	<u><u>\$293,378</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, 2015**

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

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

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 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, 2015
(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 Fund:

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 fund:

Sanitary Sewer Projects – This fund received Federal 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.

1. Appropriations

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015 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.

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.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2015
Demand deposits	\$127,267
Other time deposits (savings and NOW accounts)	316,145
Total deposits	443,412

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

3. Budgetary Activity

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$807,515	\$848,357	\$40,842
Special Revenue	89,155	91,130	1,975
Debt Service	4,835	4,207	(628)
Capital Projects	42,991	220,520	177,529
Enterprise	582,449	1,222,324	639,876
Total	\$1,526,945	\$2,386,538	\$859,593

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

3. Budgetary Activity – (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,102,379	\$987,752	\$114,627
Special Revenue	107,282	93,585	13,697
Debt Service	9,273	4,354	4,919
Capital Projects	139,602	179,742	(40,140)
Enterprise	1,037,232	1,366,346	(329,114)
Total	\$2,395,767	\$2,631,779	(\$236,012)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Project fund by \$40,140 for the year ended December 31, 2015. Also Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Operating fund by \$329,114 for the year ended December 31, 2015.

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. 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, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bond (Truck)	\$45,876	4%
Ohio Water Development Authority Loan 5480	\$17,246	0%
Ohio Water Development Authority Loan 6820	\$1,155,833	3%
Explorer Lease	22,602	4%
Total	\$1,241,557	

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEBT – (Continued)

The General Obligation Bond 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 Ohio Water Development Authority (OWDA) loan 5480 pertains to a wastewater treatment plant flooding abatement project. The OWDA approved a total loan of \$158,394 to the Village for this project. Of this amount, \$134,606 included American Recovery and Reinvestment Act (ARRA) 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.

The Ohio Water Development Authority (OWDA) loan 6820 relates to the Waste Water Treatment Plant Improvements. The OWDA approved up to \$1,317,585 in loans to the Village for this project. The Amortization Schedule is not yet complete for this loan by OWDA. The Village will be reimbursed annually by BFI for all future principal and interest payment related to this debt.

The Lease was issued in 2014 to pay for the purchase of an Explorer for the Police Department. The Village's taxing authority collateralized the note.

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

Year ending December 31:	General Obligation Note	OWDA Loan 5480	Explorer Lease
2016	\$26,469	\$1,189	\$8,070
2017		1,189	8,070
2018		1,189	8,070
2019		1,189	
2020		1,189	
2021-2025		5,945	
2026-2030		5,356	
Total	\$26,469	\$17,246	\$24,211

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. From January 1, 2015 to June 30, 2015, OP&F participants contributed 11.50%, and from July 1, 2015 to December 31, 2015, OP&F participants contributed 12.25% of their wages. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, 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, 2015.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

8. RISK MANAGEMENT

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.

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 774 and 783 members as of December 31, 2013 and 2014 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 equity at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

9. RESTATED FUND BALANCE ADJUSTMENT

The Village had to void checks in their accounting system which resulted in beginning fund balances being restated. The General Fund was restated as follows:

	General Fund
Fund Balance at December 31, 2014	\$ 210,345
Adjustment	<u>418</u>
Fund Balance at January 1, 2015	\$ 210,763



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 cash balances, receipts, and disbursements by fund type of the Village of Lowellville, Mahoning County, (the Village) as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts in the Enterprise Funds.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

November 22, 2016

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

1. On-Behalf Payments

<i>Finding Number</i>	2015-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

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

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

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

The Village was the beneficiary of Ohio Department of Transportation (ODOT), Ohio Water Development Agency (OWDA), and Ohio Public Works Commission (OPWC) monies that were paid directly to the vendors. On behalf of the Village, ODOT paid vendors \$2,068 of federal monies, OWDA paid vendors \$512,919, and OPWC paid vendors \$83,692. The Village did not record the receipt and expenditure transactions relating to these ODOT, OWDA and OPWC on-behalf payments. The Village's financial statements were adjusted to reflect these transactions.

In addition, the Village did not amend their estimated resources and appropriations to properly budget for the expected grant receipts and expenditures. As a result, expenditures exceeded appropriations at the end of 2015 by \$40,140 and \$329,114 in the Capital Projects and Enterprise funds, respectively.

The Village did not have procedures or controls in place to ensure compliance with the aforementioned requirements.

**Finding Number – 2015 -001
 (Continued)**

When approved for funding by a State or Federal agency, the Village should follow the reporting requirements summarized by Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of the Ohio Revised Code. When the Village receives notice that funds will be expended on its behalf, the Village should certify the available resources to the County Budget Commission and amend appropriations to account for the expected grant receipts and expenditures. The Village should also record memorandum receipt and expenditure transactions on the Villages books to account for any payments made on its behalf.

Official’s Response: The Clerk-Treasurer stated the vendors were paid directly by ODOT for the Safe Routes Grant. All invoices were approved by the Mayor and Village Administrator; however, copies were never given to the Clerk-Treasurer to book revenues and expenditures.

When approved for funding by a State or Federal agency, the Village should follow the reporting requirements summarized by Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of the Ohio Revised Code. When the Village receives notice that funds will be expended on its behalf, the Village should certify the available resources to the County Budget Commission and amend appropriations to account for the expected grant receipts and expenditures. The Village should also record memorandum receipt and expenditure transactions on the Villages books to account for any payments made on its behalf.

Official’s Response: The Clerk-Treasurer stated the vendors were paid directly by ODOT for the Safe Routes Grant. All invoices were approved by the Mayor and Village Administrator; however, copies were never given to the Clerk-Treasurer to book revenues and expenditures.

2. Transfers

<i>Finding Number</i>	2015-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code §5705.14, 5705.15, and 5705.16 state that money may be transferred from the general fund to any other fund with a few exceptions. In the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution passed by a simple majority is required. A simple majority constitutes a quorum of greater than 50% of the members.)

The Sewer Fund transferred \$43,290 to a Capital Project Fund without Council approval. These monies were spent on a Sewer capital project. Also in 2015, the Village transferred \$41,991 from a Capital Project Fund to the General Fund to reimburse the General Fund for the costs incurred on an emergency culvert repair. The Village was subsequently reimbursed for some of the project costs by the Ohio Public Works Commission (OPWC) and posted the reimbursement to the Capital Project Fund. Since transfers from a Capital Project Fund to the General Fund are not allowed by the aforementioned Ohio Revised Code sections, the Village should have posted the OPWC reimbursement directly to the General Fund, or advanced the monies from the General Fund. The Village’s financial statements have been adjusted to remove the transfer from the Capital Project Fund to the General Fund and report the intergovernmental revenue in the General Fund instead of the Capital Project Fund.

**Finding Number – 2015 -002
 (Continued)**

The Village lacked internal controls and knowledge over the review of transfer transactions and the above non-compliance and mispostings were noted.

The Clerk-Treasurer should make transfers in accordance with the aforementioned Ohio Revised Code provisions. In addition, all transfers should be approved by Council prior to being entered into the Village’s accounting system.

Official’s Response: The Clerk-Treasurer thought the reimbursement had to be posted to the Capital Projects fund.

3. Mayors Court - Monthly Reconciliations

<i>Finding Number</i>	2015-003
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MATERIAL WEAKNESS

The Village did not perform a monthly book to bank reconciliation for the Mayor's Court. We noted that no book balance is kept in the cashbook. Our testing revealed that all receipts taken in by the Mayor's Court were properly disbursed in the following month. However, failure to maintain accurate monthly reconciliations increases the risk of discrepancies and errors going undetected. This also prohibits the Village from obtaining accurate cash balances at any given date.

Additionally, the Village did not maintain supporting documentation for bank deposits to identify which Mayor's Court receipts comprised the bank deposits. Bank deposits of \$1,985 for the year did not agree to Mayor's Court cash book receipts of \$1,960 for the year. The bank deposit slips did not identify the associated Mayor's Court receipt number and receipt amount. As such, we were unable to determine their nature of the difference noted. The Village's financial statements have been updated for the above errors.

The Village should perform monthly bank reconciliations over the Mayor's Court. This will help the Village in determining what reconciling items exist and also to provide a reliable cashbook balance at the end of the month. Additionally, the Village should identify the Mayor's court receipt number and amount for each receipt that comprises the deposit.

Official’s Response: The Clerk-Treasurer stated the Mayor’s Court software could help alleviate the problem but it is too expensive.

4. Proper Disbursement Codes

<i>Finding Number</i>	2015-004
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MATERIAL WEAKNESS

All disbursements should be properly classified as to the type of expenditure and in the proper fund which usually determines the source and purpose of the disbursements.

The Village incorrectly posted \$39,139 of interest disbursements in the Capital Projects Fund as principal, and incorrectly posted \$31,455 of Enterprise Fund capital outlay disbursements as other financing uses.

**Finding Number – 2015 -004
(Continued)**

The Village lacked procedures over the review of disbursement transactions and the above mispostings were noted. The above mispostings were adjusted and are properly reflected in the financial statements.

The Clerk-Treasurer should review all disbursements for the purpose and source in order to properly classify the expenditure. When uncertainty occurs the Clerk-Treasurer should consult either the Uniform Accounting Network (UAN) chart of accounts for proper classification and descriptions of the disbursement types or refer to the Village's accounting manual.

Official's Response: No response provided.

5. Sewer Billings and Collections

<i>Finding Number</i>	2015-005
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MATERIAL WEAKNESS

The Village has outsourced the processing of customer sewer billings and collections, which are a significant accounting function, to a third party administrator. 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 third party administrator. The sewer collections are reported in the Village's financial statements as Enterprise Funds' charges for services in the amount of \$159,664.

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.

The Village should require a Type Two SSAE No. 16 report in its contract with the third party administrator. 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 third party administrator refuses to furnish the Village with a Type Two SSAE No. 16 report, we recommend the Village contract with a third party administrator that will provide this report. As an alternative to a SSAE No. 16 report, the Village may monitor billings and collections its administrator 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.

Official's Response: The Village has tried to get the necessary report from the service organization but to no avail.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	On-behalf payments	No	Repeated as Finding 2015-001
2014-002	Unapproved advance	Yes	
2014-003	Mayor's Court	No	Repeated as Finding 2015-003
2014-004	Proper disbursement codes	No	Repeated as Finding 2015-004
2014-005	SSAE 16 report	No	Repeated as Finding 2015-005
2014-006	OMB Circular A133 audit	No	Not Valid in 2015

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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
JANUARY 31, 2017**