



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 17, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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VILLAGE OF LOWELLVILLE  
MAHONING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – December 31, 2005 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Fiduciary Fund Types – December 31, 2005 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – December 31, 2004 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Fiduciary Fund Types – December 31, 2004 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 1, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Lowellville, Mahoning County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 or 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lowellville, Mahoning County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

December 1, 2006

**VILLAGE OF LOWELLVILLE  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$359,971		\$11,917	\$83,663	\$455,551
Intergovernmental Receipts	47,953	\$84,532	251	25,903	158,639
Charges for Services	41,267				41,267
Fines, Licenses, and Permits	26,357	784			27,141
Earnings on Investments	1,706	169			1,875
Miscellaneous	1,780	653			2,433
<b>Total Cash Receipts</b>	<b>479,034</b>	<b>86,138</b>	<b>12,168</b>	<b>109,566</b>	<b>686,906</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	245,930				245,930
Public Health Services	5,608				5,608
Community Environment	3,971				3,971
Transportation	34,556	93,622			128,178
General Government	142,720	499	105		143,324
Debt Service:					
Principal Payments	15,460		13,405		28,865
Interest Payments	1,721		1,471		3,192
Capital Outlay		3,000		127,639	130,639
<b>Total Cash Disbursements</b>	<b>449,966</b>	<b>97,121</b>	<b>14,981</b>	<b>127,639</b>	<b>689,707</b>
Total Receipts Over/(Under) Disbursements	29,068	(10,983)	(2,813)	(18,073)	(2,801)
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	1,000	4,900	8,000		13,900
Advances-In		400			400
Transfers-Out	(12,900)	(1,000)			(13,900)
Advances-Out	(200)	(200)			(400)
Other Sources	2,854	755			3,609
Other Uses	(6,198)				(6,198)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(15,444)</b>	<b>4,855</b>	<b>8,000</b>	<b>0</b>	<b>(2,589)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,624	(6,128)	5,187	(18,073)	(5,390)
Fund Cash Balances January 1	63,702	15,790	2,758	19,133	101,383
<b>Fund Cash Balances, December 31</b>	<b>\$77,326</b>	<b>\$9,662</b>	<b>\$7,945</b>	<b>\$1,060</b>	<b>\$95,993</b>

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

**VILLAGE OF LOWELLVILLE  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPE:  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$484,462		\$484,462
Fees, Licenses & Permits		\$12,025	12,025
Total Operating Cash Receipts	484,462	12,025	496,487
<b>Operating Cash Disbursements:</b>			
Personal Services	59,333		59,333
Fringe Benefits	39,277		39,277
Contractual Services	125,398		125,398
Supplies and Materials	18,731		18,731
Other	45	11,085	11,130
Capital Outlay	1,885		1,885
Total Operating Cash Disbursements	244,669	11,085	255,754
Operating Income/(Loss)	239,793	940	240,733
<b>Non-Operating Cash Revenues:</b>			
Special Assessments	2,496		2,496
Miscellaneous	99,487		99,487
Total Non-Operating Cash Revenues	101,983	0	101,983
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	341,402		341,402
Total Non-Operating Cash Disbursements	341,402	0	341,402
Net Receipts Over/(Under) Disbursements	374	940	1,314
Fund Cash Balances, January 1	22,483	640	23,123
<b>Fund Cash Balances, December 31</b>	<b><u>\$22,857</u></b>	<b><u>\$1,580</u></b>	<b><u>\$24,437</u></b>

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

**VILLAGE OF LOWELLVILLE  
MAHONING COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$343,807		\$4,502		\$348,309
Intergovernmental Receipts	46,048	\$101,478	253	\$150,621	298,400
Charges for Services	53,851				53,851
Fines, Licenses, and Permits	24,375	951			25,326
Earnings on Investments	662	57			719
Miscellaneous		308		13,952	14,260
<b>Total Cash Receipts</b>	<b>468,743</b>	<b>102,794</b>	<b>4,755</b>	<b>164,573</b>	<b>740,865</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	256,946	381			257,327
Public Health Services	5,638				5,638
Community Environment	3,016				3,016
Transportation	32,948	113,464			146,412
General Government	175,531		152		175,683
Debt Service:					
Principal Payments	14,665		10,107		24,772
Interest Payments	2,516		1,079		3,595
Capital Outlay				201,491	201,491
<b>Total Cash Disbursements</b>	<b>491,260</b>	<b>113,845</b>	<b>11,338</b>	<b>201,491</b>	<b>817,934</b>
Total Receipts Over/(Under) Disbursements	(22,517)	(11,051)	(6,583)	(36,918)	(77,069)
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds of Note	13,477				13,477
Transfers-In		4,000	9,135	23,817	36,952
Advances-In		1,196			1,196
Transfers-Out	(36,952)				(36,952)
Advances-Out		(1,196)			(1,196)
Other Financing Uses	(5,227)				(5,227)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(28,702)</b>	<b>4,000</b>	<b>9,135</b>	<b>23,817</b>	<b>8,250</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(51,219)	(7,051)	2,552	(13,101)	(68,819)
Fund Cash Balances January 1	114,921	22,841	206	32,234	170,202
<b>Fund Cash Balances, December 31</b>	<b>\$63,702</b>	<b>\$15,790</b>	<b>\$2,758</b>	<b>\$19,133</b>	<b>\$101,383</b>

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

**VILLAGE OF LOWELLVILLE  
MAHONING COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$494,105		\$494,105
Fees, Licenses & Permits		\$7,795	7,795
Total Operating Cash Receipts	494,105	7,795	501,900
<b>Operating Cash Disbursements:</b>			
Personal Services	51,295		51,295
Fringe Benefits	29,579		29,579
Contractual Services	133,483		133,483
Supplies and Materials	18,556		18,556
Other	85	7,155	7,240
Capital Outlay	20,628		20,628
Total Operating Cash Disbursements	253,626	7,155	260,781
Operating Income/(Loss)	240,479	640	241,119
<b>Non-Operating Cash Revenues:</b>			
Special Assessments	6,522		6,522
Miscellaneous	98,448		98,448
Total Non-Operating Cash Revenues	104,970	0	104,970
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	363,151		363,151
Total Non-Operating Cash Disbursements	363,151	0	363,151
Net Receipts Over/(Under) Disbursements	(17,702)	640	(17,062)
Fund Cash Balances, January 1	40,185	0	40,185
<b>Fund Cash Balances, December 31</b>	<b><u>\$22,483</u></b>	<b><u>\$640</u></b>	<b><u>\$23,123</u></b>

*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, 2005 AND 2004**

**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 governs 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. Basis of Accounting**

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

The Village values repurchase agreements at cost.

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

**2. Special Revenue Funds**

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

*Street Construction, Maintenance and Repair 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, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Permissive Motor Vehicle* - This fund receives motor vehicle tax money for constructing, maintaining and repairing Village streets.

*Senior Citizen Transportation* - This fund receives intergovernmental grant money to transport the Villages elderly.

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of note indebtedness. The Village had the following debt service fund:

*Note Retirement* – This fund receives tax money from residents of the village for the payment of various debt instruments.

**4. Capital Project Funds**

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

*Issue II* - This fund receives money from State grants to finance road improvements in the Village.

**5. Enterprise Funds**

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

*Sewer Operating Fund* - This fund receives charges for services from users of the sewer utility to cover the cost of providing this utility.

*Sanitary Sewer Bond* – This fund receives charges for services from users of the sewer utility for the payment of various debt instruments.

**6. Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

*Mayor's Court Fund* – This fund receives and disburses fines and court costs collected by the Mayor's Court. This activity is appended to and reported in the financial statements.

**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, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. 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 CASH AND INVESTMENTS**

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

	2005	2004
Demand deposits	(\$17,733)	(\$7,427)
Total deposits	(17,733)	(7,427)
Repurchase agreement	138,163	131,933
Total investments	138,163	131,933
Total deposits and investments	\$120,430	\$124,506

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF LOWELLVILLE  
MAHONING COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$453,371	\$482,888	\$29,517
Special Revenue	98,057	91,793	(6,264)
Debt Service	17,709	20,168	2,459
Capital Projects	90,434	109,566	19,132
Enterprise	577,325	586,445	9,120
Total	<u>\$1,236,896</u>	<u>\$1,290,860</u>	<u>\$53,964</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$516,021	\$469,064	\$46,957
Special Revenue	113,846	98,121	15,725
Debt Service	13,830	14,981	(1,151)
Capital Projects	109,567	127,639	(18,072)
Enterprise	599,806	586,071	13,735
Total	<u>\$1,353,070</u>	<u>\$1,295,876</u>	<u>\$57,194</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$468,488	\$482,220	\$13,732
Special Revenue	114,427	106,794	(7,633)
Debt Service	13,684	13,890	206
Capital Projects	403,390	188,390	(215,000)
Enterprise	600,505	599,075	(1,430)
Total	<u>\$1,600,494</u>	<u>\$1,390,369</u>	<u>(\$210,125)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$567,934	\$533,439	\$34,495
Special Revenue	131,251	113,845	17,406
Debt Service	13,890	11,338	2,552
Capital Projects	337,861	201,491	136,370
Enterprise	640,690	616,777	23,913
Total	<u>\$1,691,626</u>	<u>\$1,476,890</u>	<u>\$214,736</u>

**VILLAGE OF LOWELLVILLE  
MAHONING COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 1% 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, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$75,447	2.00%
Police Pension Note	1,140	5.52%
Police Cruiser Note	9,348	4.62%
Fire Truck Lease	16,297	5.42%
Mortgage Revenue Bonds	300,000	7.25%
Total	<u>\$402,232</u>	

The Ohio Water Development Authority (OWDA) Loan and Mortgage Revenue Bonds relate to sewer plant improvements mandated by the Ohio Environmental Protection Agency. The OWDA has approved \$171,352 for this project. The loan will be repaid in semiannual installments of \$4,388 including interest, over 15 - 25 years. The Mortgage Revenue Bonds are approved for 3,200,000, not including interest.

In exchange for treating its leachate, Browning Ferris Industries of Ohio (BFIO) has agreed to pay all the debt service on the Revenue Bonds and the OWDA Loan. BFIO's parent company has guaranteed such debt service payments.

The Police Pension Note relates to the retirement of a police pension liability imposed upon the Village by a past court ruling. The Note is collateralized by the Village's taxing authority.

The Village has entered a capital lease agreement for the use and purchase of a fire truck. Principal and interest is to be paid annually through 2006. The Lease is collateralized by the Village's taxing authority.

The Police Cruiser Note was issued in 2004 to finance the purchase of a new police cruiser. The note is collateralized by the Village's taxing authority.

**VILLAGE OF LOWELLVILLE  
MAHONING COUNTY**

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

**6. DEBT (Continued)**

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

Year ending December 31:	OWDA Loan	Police Pension Note	Police Cruiser Note	Fire Truck Lease	Mortgage Revenue Bonds
2006	\$8,777	\$1,203	\$4,759	\$17,180	\$310,875
2007	8,777	0	4,902	0	0
2008	8,777	0	0	0	0
2009	8,777	0	0	0	0
2010	8,777	0	0	0	0
Subsequent	43,884	0	0	0	0
Total	<u>\$87,769</u>	<u>\$1,203</u>	<u>\$9,661</u>	<u>\$17,180</u>	<u>\$310,875</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Lowellville, Mahoning County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 1, 2006, wherein we noted the Village follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated December 1, 2006, we reported another matter related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

December 1, 2006



**Mary Taylor, CPA**  
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 23, 2007**