



PERRY

& Associates CPAs

PASSION *Beyond the Numbers*

**VILLAGE OF LOWELL
WASHINGTON COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2021 - 2020**

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Lowell
P.O. Box 337
Lowell, Ohio 45744

We have reviewed the *Independent Auditor's Report* of the Village of Lowell, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2020 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lowell is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 31, 2023

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VILLAGE OF LOWELL
WASHINGTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Lowell
Washington County
PO Box 337
Lowell, Ohio 45744

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the **Village of Lowell**, Washington County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in 2020 the Village adopted a change in accounting principle and removed the fund balances classification from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

January 31, 2023

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 37,035	\$ 1,521	\$ 38,556
Intergovernmental	32,402	63,831	96,233
Fines, Licenses and Permits	115	-	115
Earnings on Investments	132	11	143
Miscellaneous	14,993	5	14,998
<i>Total Cash Receipts</i>	84,677	65,368	150,045
Cash Disbursements			
Current:			
Security of Persons & Property	16,882	-	16,882
Public Health Services	1,546	-	1,546
Leisure Time Activities	4,345	-	4,345
Basic Utility Services	-	10,686	10,686
Transportation	-	15,572	15,572
General Government	61,558	1,305	62,863
Debt Service:			
Principal Retirement	408	160	568
Interest and Fiscal Charges	4	2	6
<i>Total Cash Disbursements</i>	84,743	27,725	112,468
<i>Excess of Receipts Over (Under) Disbursements</i>	(66)	37,643	37,577
Other Financing Receipts (Disbursements)			
Transfers Out	(5,388)	-	(5,388)
Other Financing Sources	635	-	635
<i>Total Other Financing Receipts (Disbursements)</i>	(4,753)	-	(4,753)
<i>Net Change in Fund Cash Balances</i>	(4,819)	37,643	32,824
<i>Fund Cash Balances, January 1 (Restated - See Note 14)</i>	60,614	130,784	191,398
<i>Fund Cash Balances, December 31</i>	\$ 55,795	\$ 168,427	\$ 224,222

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 322,136
<i>Total Operating Cash Receipts</i>	322,136
Operating Cash Disbursements	
Personal Services	97,564
Fringe Benefits	13,130
Contractual Services	45,755
Supplies and Materials	129,887
<i>Total Operating Cash Disbursements</i>	286,336
<i>Operating Income (Loss)</i>	35,800
Non-Operating Receipts (Disbursements)	
Loans Issued	133,314
Miscellaneous Receipts	2,733
Capital Outlay	(133,314)
Principal Retirement	(13,440)
Interest and Other Fiscal Charges	(4)
<i>Total Non-Operating Receipts (Disbursements)</i>	(10,711)
<i>Income (Loss) before Transfers</i>	25,089
Transfers In	5,388
<i>Net Change in Fund Cash Balance</i>	30,477
<i>Fund Cash Balances, January 1 (Restated - See Note 14)</i>	451,044
<i>Fund Cash Balances, December 31</i>	\$ 481,521

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

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Lowell (the Village), Washington County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Notes 7 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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:

Water Fund The fund receives charges for services from residents to cover water service costs.

Sewer Fund The fund receives charges for services from residents to cover sewer service costs.

Swimming Pool Fund This fund receives charges for services from patrons to cover operation costs of the Village swimming pool.

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$92,557, the Street Construction Maintenance and Repair Fund by \$17,985, the State Highway Fund by \$462, the Water Operating Fund by \$377,704, the Sewer Operating Fund by \$140,424, and the Swimming Pool Fund by \$26,307 for the year ended December 31, 2021. Also contrary to Ohio law, the Village did not pass an appropriation measure during 2021.

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 64,765	\$ 85,312	\$ 20,547
Special Revenue	106,246	65,368	(40,878)
Enterprise	279,100	463,571	184,471
Total	\$ 450,111	\$ 614,251	\$ 164,140

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 454	\$ 93,013	\$ (92,557)
Special Revenue	84,212	30,907	53,305
Enterprise	1,561	555,860	(554,299)
Total	\$ 86,227	\$ 679,780	\$ (593,551)

Note 5 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2021
Demand deposits	\$ 705,743

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village is holding \$4,323 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Taxes

Property Taxes

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

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

Note 7 – Risk Management

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

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

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #8217	\$ 3,818	0%
Ohio Water Development Authority Loan #8088	223,726	3.40%
Ohio Water Development Authority Loan #8567	26,337	2.91%
Ohio Water Development Authority Loan #9171	112,798	1.78%
Total	<u>\$ 366,679</u>	

In 2018, the Village entered into a loan agreement with the OWDA for Loan #8217 – Asset Management Plan at an interest rate of 0%. The loan includes a portion to be repaid with principal forgiveness by OWDA, of which \$10,000 had been forgiven as of December 31, 2019. The Village will repay the remainder of the loan in semiannual installments over five years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2018, the Village entered into a loan agreement with the OWDA for Loan #8088 – Wastewater Treatment Plant Replacement and Collection Upgrades Design at an interest rate of 3.4%. The loan will be repaid in semiannual installments over five years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Due to the loan not being fully disbursed, there is no amortization schedule available.

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (Continued)

In 2019, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for Loan #8567 – Water Treatment Plant at an interest rate of 2.91%. The loan will be repaid in semiannual installments over five years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Due to the loan not being fully disbursed, there is no amortization schedule available.

In 2021, the Village entered into a loan agreement with the OWDA for Loan #9171 – Wastewater Treatment Plant Replacement at an interest rate of 1.78%. As of December 31, 2021, \$112,798 has been disbursed to the Village. Beginning in 2022, The Village will begin repaying the loan in semiannual installments over five years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Due to the loan not being fully disbursed, there is no amortization schedule available.

The Peoples Bank Loan relates to the purchase of a mowing tractor for the Village. Peoples Bank approved the loan for the amount of \$12,799. The Village will repay the loan in monthly installments of \$230, including interest over five years. This loan was repaid in 2021.

Amortization

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

Year Ending December 31:	OWDA #8217
2022	\$ 1,528
2023	1,528
2024	762
Total	<u>\$ 3,818</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 2,882	\$ 3,182	\$ 6,064
<i>Total</i>	<u>\$ 2,882</u>	<u>\$ 3,182</u>	<u>\$ 6,064</u>

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12 – Fund Balances (Continued)

The fund balance of special revenue funds is either restricted or committed. These restricted or committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 14 – Restatement of Beginning Fund Balance

Beginning fund balance at January 1, 2021 was restated for the Village General Fund and Enterprise Fund due to voided checks.

	<u>General</u>	<u>Enterprise</u>
Ending Fund Balance December 31, 2020	\$ 60,217	\$ 450,826
Restatement	397	218
Beginning Fund Balance, January 1, 2021, Restated	<u>\$ 60,614</u>	<u>\$ 451,044</u>

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 37,795	\$ 1,222	\$ 39,017
Intergovernmental	34,494	90,519	125,013
Fines, Licenses and Permits	994	-	994
Earnings on Investments	720	12	732
Miscellaneous	8,714	1,277	9,991
<i>Total Cash Receipts</i>	<u>82,717</u>	<u>93,030</u>	<u>175,747</u>
Cash Disbursements			
Current:			
Security of Persons & Property	22,915	-	22,915
Public Health Services	1,296	56,095	57,391
Leisure Time Activities	2,128	-	2,128
Transportation	-	24,641	24,641
General Government	44,334	-	44,334
Debt Service:			
Principal Retirement	1,164	470	1,634
Interest and Fiscal Charges	36	15	51
<i>Total Cash Disbursements</i>	<u>71,873</u>	<u>81,221</u>	<u>153,094</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,844</u>	<u>11,809</u>	<u>22,653</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(17)	-	(17)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(17)</u>	<u>-</u>	<u>(17)</u>
<i>Net Change in Fund Cash Balances</i>	10,827	11,809	22,636
<i>Fund Cash Balances, January 1 (Restated - See Note 14)</i>	<u>49,390</u>	<u>118,975</u>	<u>168,365</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 60,217</u>	<u>\$ 130,784</u>	<u>\$ 191,001</u>

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

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 267,783
<i>Total Operating Cash Receipts</i>	267,783
Operating Cash Disbursements	
Personal Services	77,610
Fringe Benefits	11,451
Contractual Services	45,075
Supplies and Materials	102,151
Other	197
<i>Total Operating Cash Disbursements</i>	236,484
<i>Operating Income (Loss)</i>	31,299
Non-Operating Receipts (Disbursements)	
Loans Issued	19,699
Miscellaneous Receipts	9,698
Capital Outlay	(19,699)
Principal Retirement	(14,927)
Interest and Other Fiscal Charges	(32)
<i>Total Non-Operating Receipts (Disbursements)</i>	(5,261)
<i>Net Change in Fund Cash Balance</i>	26,038
<i>Fund Cash Balances, January 1</i>	424,788
<i>Fund Cash Balances, December 31</i>	\$ 450,826

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

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Lowell (the Village), Washington County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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:

Water Fund The fund receives charges for services from residents to cover water service costs.

Sewer Fund The fund receives charges for services from residents to cover sewer service costs.

Swimming Pool Fund This fund receives charges for services from patrons to cover operation costs of the Village swimming pool.

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Village of Lowell
 Washington County
 Notes to the Financial Statements
 For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 64,765	\$ 82,717	\$ 17,952
Special Revenue	89,877	93,030	3,153
Enterprise	301,029	297,180	(3,849)
Total	\$ 455,671	\$ 472,927	\$ 17,256

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 – Budgetary Activity (Continued)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 85,844	\$ 72,345	\$ 13,499
Special Revenue	100,259	81,526	18,733
Enterprise	363,299	272,703	90,596
Total	\$ 549,402	\$ 426,574	\$ 122,828

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

Demand deposits	2020
	\$ 641,827

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$2,321 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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

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

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,350,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – Defined Benefit Pension Plans (Continued)

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #8217	\$ 5,345	0%
Ohio Water Development Authority Loan #8088	224,887	3.40%
Ohio Water Development Authority Loan #8567	27,079	2.91%
Peoples Bank Loan	916	3.03%
Total	<u>\$ 258,227</u>	

In 2018, the Village entered into a loan agreement with the OWDA for Loan #8217 – Asset Management Plan at an interest rate of 0%. The loan includes a portion to be repaid with principal forgiveness by OWDA, of which \$10,000 had been forgiven as of December 31, 2019. The Village will repay the remainder of the loan in semiannual installments over five years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2018, the Village entered into a loan agreement with the OWDA for Loan #8088 – Wastewater Treatment Plant Replacement and Collection Upgrades Design at an interest rate of 3.4%. The loan will be repaid in semiannual installments over five years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Due to the loan not being fully disbursed, there is no amortization schedule available.

In 2019, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for Loan #8567 – Water Treatment Plant at an interest rate of 2.91%. The loan will be repaid in semiannual installments over five years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Due to the loan not being fully disbursed, there is no amortization schedule available.

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt (Continued)

The Peoples Bank Loan relates to the purchase of a mowing tractor for the Village. Peoples Bank approved the loan for the amount of \$12,799. The Village will repay the loan in monthly installments of \$230, including interest over five years.

Amortization

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

Year Ending December 31:	OWDA #8217	Peoples Bank Loan
2021	\$ 1,528	\$ 922
2022	1,528	-
2023	1,528	-
2024	761	-
Total	\$ 5,345	\$ 922

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 455	\$ 305	\$ 760
<i>Total</i>	\$ 455	\$ 305	\$ 760

The fund balance of special revenue funds is either restricted or committed. These restricted or committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Village of Lowell
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID 19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 14 – Restatement of Beginning Fund Balance

Beginning fund balance at January 1, 2020 was restated for the Village General Fund due to a voided check.

	<u>General</u>
Ending Fund Balance December 31, 2019	\$ 49,307
Restatement	83
Beginning Fund Balance, January 1, 2020, Restated	<u>\$ 49,390</u>



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

Village of Lowell
Washington County
PO Box 337
Lowell, Ohio 45744

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of Village of Lowell, Washington County, (the Village) and have issued our report thereon dated January 31, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit and changes in the Village's reporting model.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying schedule of findings as 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of audit findings as items 2021-003 and 2021-004.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

January 31, 2023

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2021-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. The following errors with the Village's annual financial report were noted:

- Adjustments proposed in the prior audit were not posted to the accounting system in the General and Enterprise Funds.
- Loan payments to Peoples Bank were classified as General Government in the General Fund and the Street Construction, Maintenance and Repair Fund, and Supplies and Materials in the Water Operating Fund and Sewer Operating Fund instead of Principal Retirement and Interest and Fiscal Charges in 2021 and 2020;
- Loan payments for OWDA #8217 were classified as Contractual Services instead of Principal Retirement in the Water Operating Fund and Sewer Operating Fund in 2020;
- Loan payments for OWDA #8088 were classified as Supplies and Materials instead of Principal Retirement in the Sewer Operating Fund in 2021 and 2020;
- Capitalized Interest and Capitalized Interest Credits for OWDA #8088 and OWDA #8567 were not properly recorded in 2021 and 2020;
- Debt proceeds for OWDA #8088 were classified as Supplies and Materials instead of Capital Outlay in 2021 and 2020;
- Loan payments for OWDA #8567 were classified as Supplies and Materials instead of Principal Retirement in the Water Operating Fund in 2021 and 2020;
- Debt proceeds for OWDA #8567 were classified as Supplies and Materials instead of Capital Outlay in 2020;
- A portion of debt proceeds for OWDA #9171 and OWDA # 9331 were not recorded as Capital Outlay and Loans Issued in 2021;
- A portion of debt proceeds for OWDA #9171 and OWDA #9331 were classified as Supplies and Materials instead of Capital Outlay in 2021;
- Capitalized Interest and Capitalized Interest Credits for OWDA #9171 were not properly recorded in 2021;
- A grant received from the State of Ohio was classified as Miscellaneous instead of Intergovernmental revenue in the General Fund in 2020;
- User Fee revenue was classified as Capital Contributions instead of Charges for Services in the Water Operating Fund and Sewer Operating Fund in 2021 and 2020;
- Coronavirus Relief Fund receipts were classified at Miscellaneous instead of Intergovernmental revenue in 2020; and
- Permissive Motor Vehicle License Tax receipts were posted to the Street Construction, Maintenance and Repair Fund and the State Highway Fund as Intergovernmental revenue instead of the Permissive Motor Vehicle License Tax Fund as Property and Other Taxes in 2021.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The financial statements reflect all reclassifications and adjustments. The Village has posted the adjustments to its accounting system. We also noted several errors that were inconsequential to the overall financial statements of the Village for 2021 and 2020 and were not posted to the financial statements or accounting system.

VILLAGE OF LOWELL
WASHINGTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001 (Continued)

Material Weakness (Continued)

Financial Reporting (Continued)

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenses are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Officials' Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2021-002

Material Weakness

Supporting Documentation

To help demonstrate disbursements are for a proper public purpose, the voucher package should include a copy of the check, purchase order and invoice, at a minimum.

Invoices were not always attached to vouchers to support the validity of expenditures during 2021 and 2020. Ultimately, the Fiscal Officer was able to provide invoices for all disbursements tested except for 2 of 42 in 2021 and 3 of 42 in 2020. This is the result of the Fiscal Officer not reviewing voucher packages to ensure all of the proper documentation was included. We were able to determine by other means that the remaining disbursements were for a proper public purpose.

Failure to attach an invoice to the voucher package could result in a violation of public records laws and possible findings for recovery.

We recommend the Village maintain all source documentation, including the purchase order, invoice and copy of the check, with each voucher to help provide evidence of the validity of the disbursement.

Officials' Response – We did not receive a response from officials to this finding.

VILLAGE OF LOWELL
WASHINGTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-003

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

The Village did not properly certify the availability of funds prior to purchase commitment for 24% of the expenditures tested for 2021 and for 24% of the expenditures tested for 2020.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

Officials' Response – We did not receive a response from officials to this finding.

VILLAGE OF LOWELL
WASHINGTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-004

Noncompliance

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. **Ohio Rev. Code Section 5705.41(B)** provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

The Village could not provide documentation supporting the passing of an appropriation resolution for 2021, nor the filing of said appropriations with the County Auditor. This resulted in total expenditures exceeding appropriations by \$92,557 in the General Fund, \$17,985 in the Street Construction Maintenance and Repair Fund, \$462 in the State Highway Fund, \$377,704 in the Water Operating Fund, \$140,424 in the Sewer Operating Fund, and \$26,307 in the Swimming Pool Fund.

The failure to properly approve Village appropriations and subsequent amendments could result in deficit fund balances or monies being spent on purposes other than those intended by the Council. The Fiscal Officer and Council should monitor appropriations versus estimated resources to help avoid overspending. Officials should review the requirements of ORC section 5705 to be familiar with these laws and ensure the Village is complying with applicable sections. We further recommend the adoption of this measure, and any subsequent amendments, be documented in the minutes and filed with the County Budget Commission.

In addition, the Village did not have a control procedure in place to ensure appropriations and estimated receipts, as authorized by the Village Council, were properly approved by the County Budget Commission. The Village also did not have a control procedure in place to ensure appropriations and estimated receipts were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

Officials' Response – We did not receive a response from officials to this finding.

**VILLAGE OF LOWELL
WASHINGTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Financial Reporting	Not Corrected	Repeated as Finding 2021-001
2019-002	Supporting Documentation	Not Corrected	Repeated as Finding 2021-002
2019-003	Ohio Revised Code Section 5705.41(D)	Not Corrected	Repeated as Finding 2021-003

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LOWELL

WASHINGTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/13/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov