
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF LOWELLVILLE

MAHONING COUNTY

A&A
REGULAR AUDIT

For the Years Ended

December 31, 2019 and 2018

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Lowellville
140 East Liberty Street
Lowellville, Ohio 44436

We have reviewed the *Independent Auditor's Report* of the Village of Lowellville, Mahoning County, prepared by Alger & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. 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 Lowellville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 25, 2020

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**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

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ALGER & ASSOCIATES, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Lowellville
Mahoning County
140 E. Liberty Street
Lowellville, Ohio 44436

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lowellville, Mahoning County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

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

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the Enterprise Funds of the Village of Lowellville, Mahoning County, as of December 31, 2019 and 2018, and its receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinion on Regulatory Basis of Accounting

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the General, Special Revenue, Debt Service, Capital Projects and Custodial/Agency Funds, and related notes of the Village of Lowellville, Mahoning County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding his matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Karen S

Alger, CPA

Digitally signed by Karen S Alger,
CPA
DN: cn=Karen S Alger, CPA,
o=Alger & Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2020.06.11 10:00:02 -04'00'

Alger & Associates, Inc.

Certified Public Accountants

North Canton, Ohio

May 27, 2020

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Village of Lowellville, Ohio
Mahoning County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$167,161	\$9,472	\$6,852		\$183,485
Municipal Income Tax	474,345				474,345
Intergovernmental	50,311	81,090		\$18,747	150,148
Special Assessments				89,296	89,296
Charges for Services	158,960				158,960
Fines, Licenses and Permits	30,063				30,063
Earnings on Investments	410	40			450
Miscellaneous	14,500	5,692			20,192
<i>Total Cash Receipts</i>	<u>895,750</u>	<u>96,294</u>	<u>6,852</u>	<u>108,043</u>	<u>1,106,939</u>
Cash Disbursements					
Current:					
Security of Persons and Property	339,221				339,221
Public Health Services	2,350				2,350
Community Environment	3,944				3,944
Basic Utility Services				1,500	1,500
Transportation	68,018	111,782			179,800
General Government	201,497	21,921	150		223,568
Capital Outlay	238,140			17,247	255,387
Debt Service:					
Principal Retirement	36,776		1,599	69,579	107,954
Interest and Fiscal Charges	2,530		157	39,636	42,323
<i>Total Cash Disbursements</i>	<u>892,476</u>	<u>133,703</u>	<u>1,906</u>	<u>127,962</u>	<u>1,156,047</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,274</u>	<u>(37,409)</u>	<u>4,946</u>	<u>(19,919)</u>	<u>(49,108)</u>
Other Financing Receipts (Disbursements)					
Loan Issue	86,285				86,285
Sale of Capital Assets	5,000				5,000
Transfers In		15,000			15,000
Transfers Out	(15,000)				(15,000)
Other Financing Sources	9,234				9,234
Other Financing Uses	(26,217)				(26,217)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>59,302</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>74,302</u>
<i>Net Change in Fund Cash Balances</i>	62,576	(22,409)	4,946	(19,919)	25,194
<i>Fund Cash Balances, January 1</i>	<u>136,541</u>	<u>48,527</u>	<u>9,461</u>	<u>32,874</u>	<u>227,403</u>
Fund Cash Balances, December 31					
Restricted		26,118	14,407	12,955	53,480
Assigned	199,117				199,117
<i>Fund Cash Balances, December 31</i>	<u>\$199,117</u>	<u>\$26,118</u>	<u>\$14,407</u>	<u>\$12,955</u>	<u>\$252,597</u>

See accompanying notes to the basic financial statements

Village of Lowellville, Ohio
Mahoning County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Enterprise	Custodial	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$171,594	\$0	\$171,594
<i>Total Operating Cash Receipts</i>	<u>171,594</u>	<u>-</u>	<u>171,594</u>
Operating Cash Disbursements			
Personal Services	139,982		139,982
Employee Fringe Benefits	57,723		57,723
Contractual Services	162,918		162,918
Supplies and Materials	181,729		181,729
Other	50		50
<i>Total Operating Cash Disbursements</i>	<u>542,402</u>	<u>-</u>	<u>542,402</u>
<i>Operating Income (Loss)</i>	<u>(370,808)</u>	<u>-</u>	<u>(370,808)</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	25,000		25,000
Earnings on Investments (proprietary funds only)	519		519
Capital Outlay	(104,155)		(104,155)
Other Financing Sources	450,103		450,103
Other Financing Uses	(21,458)		(21,458)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>350,009</u>	<u>-</u>	<u>350,009</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,799)</u>	<u>-</u>	<u>(20,799)</u>
<i>Fund Cash Balances, January 1</i>	<u>411,407</u>	<u>1,109</u>	<u>412,516</u>
<i>Fund Cash Balances, December 31</i>	<u>\$390,608</u>	<u>\$1,109</u>	<u>\$391,717</u>

See accompanying notes to the basic financial statements

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Lowellville (the Village), Mahoning 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.

Public Entity Risk Pools

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). 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 and fiduciary fund types which are 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 - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund: Ohio Water Development Authority (OWDA) loan.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Sanitary Sewer Projects - This fund receives Federal monies to pay for improvements to the wastewater treatment plant.

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 Fund:

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

Fiduciary Funds - Fiduciary funds include private purpose trust funds and custodial funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Custodial funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's custodial fund is the Mayor's Court Fund which collects fines and court costs on behalf of the State of Ohio, the Village and other local jurisdictions. As of December 31, 2016, the Village no longer has a functioning Mayor's Court, there remains a residual ending fund balance.

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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies *(Continued)*

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 2019 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.

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.

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.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$866,863	\$996,269	\$129,406
Special Revenue	97,900	111,294	13,394
Debt Service	23,997	6,852	(17,145)
Capital Projects	2,000	108,043	106,043
Enterprise	687,987	647,216	(40,771)
Total	\$1,678,747	\$1,869,674	\$190,927

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,050,326	\$944,152	\$106,174
Special Revenue	145,283	134,863	10,420
Debt Service	11,150	1,906	9,244
Capital Projects	105,242	127,962	(22,720)
Enterprise	823,344	675,258	148,086
Total	\$2,135,345	\$1,884,141	\$251,204

Contrary to Ohio law §5705.41(B) budgetary expenditures exceeded appropriation authority in the Capital Project fund by \$22,720 for the year ended December 31, 2019. In addition, contrary to Ohio law §5705.39 appropriations exceeded estimated resources available in the General Fund and Sewer Operating Fund by \$46,922 and \$9,000, respectively. Contrary to Ohio law §5705.36(A) (3) an amended certificate of estimated resources was not obtained for OPWC projects.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments

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

	<u>2019</u>
Demand deposits	\$383,147
Other time deposits (savings and NOW accounts)	<u>261,167</u>
Total deposits	<u><u>\$644,314</u></u>

Deposits

The Village's deposits are collateralized by the financial institution's public entity deposit pool.

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 2 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.

The Regional Income Tax Agency administers and collects income taxes for the Village.

Note 6 - Risk Management

Risk Pool Membership

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.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 - Risk Management *(Continued)*

Risk Pool Membership *(Continued)*

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. 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. 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. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</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 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

Some Village Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 5480	\$12,488	0%
Ohio Water Development Authority Loan 6820	1,060,373	2.57 - 3.34%
Ohio Water Development Authority Loan 7149	163,655	2.92
Ohio Public Works Commission Loan CF32U	111,953	3.09%
2016 Chevy Silverado-Promissory Note	11,370	4.06%
2018 Police Cruiser	30,446	3.09%
2019 Ford Dump Truck	69,028	3.09%
Total	<u>\$1,459,313</u>	

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

The Ohio Water Development Authority (OWDA) loan 6820 pertains to the Waste Water Treatment Plant improvements. The OWDA approved a total loan of \$1,317,585 in loans to the Village for this project. In 2018, OWDA adjusted the principal down by \$63. The Village will be reimbursed annually by BFI for all future principal and interest payments related to this debt.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt *(Continued)*

The Ohio Water Development Authority (OWDA) loan 7149 pertains to the McGill and Walnut streets drainage improvements. The OWDA approved a total loan of \$194,017.

The Ohio Public Works Commission (OPWC) Loan CF32U issued in 2018 pertains to the 2017 Road Improvements project. The loan was approved in the amount of \$117,845 and the Village will repay the loan in semiannual installments of \$5,892 over a period of ten years.

The Village purchased a 2016 Chevy Silverado in January of 2017. The total amount including finance charges is \$40,798.80. The Village will pay the loan in 60 monthly payments of \$679.98.

The Village purchased a 2018 Police Cruiser in March of 2018. The total amount including finance charges is \$47,683. The Village will pay the loan in semi-annual payments of \$6,378.08 for a period of 4 years.

The Village purchased a 2019 Ford Dump Truck in May of 2019. The total amount including finance charges is \$86,285. The Village will pay the loan in semi-annual payments of \$8,628.50 plus interest for a period of 4 years.

Amortization

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

Year Ending	OWDA Loan 5480	OWDA Loan 6820	OWDA Loan 7149	OPWC Loan CR32U	2016 Chevy Silverado	2018 Police Cruiser	2019 Ford Dump Truck
2020	\$1,189	\$89,297	\$12,876	\$11,784	\$8,160	\$12,756	\$19,395
2021	1,189	89,297	12,876	11,785	8,160	12,756	18,819
2022	1,189	89,297	12,876	11,785		6,378	18,251
2023	1,189	89,297	12,876	11,784			17,682
2024	5,945	89,297	64,380	11,784			
2025-2029	1,788	446,485	64,380	53,031			
2030-2036		535,782	12,876				
Total	\$12,489 #	\$1,428,752	\$193,140	\$111,953	\$16,320	\$31,890	\$74,147

Note 10 – Subsequent Events

As of December 31, 2016, the Village no longer has a functioning Mayor’s Court. There remains a residual balance of \$1,109 for which the Village will be going to the Court of Common Pleas to transfer back to General Fund.

In addition, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of Lowellville, Ohio
Mahoning County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$189,681	\$9,048	\$7,127		\$205,856
Municipal Income Tax	487,771				487,771
Intergovernmental	73,842	72,500		\$77,557	223,899
Special Assessments				89,297	89,297
Charges for Services	143,623				143,623
Fines, Licenses and Permits	19,752				19,752
Earnings on Investments	530	53			583
Miscellaneous	87,704	5,103			92,807
<i>Total Cash Receipts</i>	<u>1,002,903</u>	<u>86,704</u>	<u>7,127</u>	<u>166,854</u>	<u>1,263,588</u>
Cash Disbursements					
Current:					
Security of Persons and Property	343,140	125			343,265
Public Health Services	7,165				7,165
Community Environment	3,719				3,719
Basic Utility Services				1,500	1,500
Transportation	59,619	98,841			158,460
General Government	240,430	15,875	45		256,350
Capital Outlay	485,603			195,402	681,005
Debt Service:					
Principal Retirement	17,379			58,379	75,758
Interest and Fiscal Charges	793			38,101	38,894
<i>Total Cash Disbursements</i>	<u>1,157,848</u>	<u>114,841</u>	<u>45</u>	<u>293,382</u>	<u>1,566,116</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(154,945)</u>	<u>(28,137)</u>	<u>7,082</u>	<u>(126,528)</u>	<u>(302,528)</u>
Other Financing Receipts (Disbursements)					
Loan Issue	47,683			117,845	165,528
Sale of Capital Assets	23,610	-			23,610
Transfers In		56,320			56,320
Transfers Out	(56,320)	-			(56,320)
Other Financing Uses	(43,527)				(43,527)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(28,554)</u>	<u>56,320</u>	<u>-</u>	<u>117,845</u>	<u>145,611</u>
<i>Net Change in Fund Cash Balances</i>	(183,499)	28,183	7,082	(8,683)	(156,917)
<i>Fund Cash Balances, January 1 - Restated (see Note 3)</i>	<u>320,040</u>	<u>20,344</u>	<u>2,379</u>	<u>41,557</u>	<u>384,320</u>
Fund Cash Balances, December 31					
Restricted		48,527	9,461	32,874	90,862
Assigned	136,541				136,541
<i>Fund Cash Balances, December 31</i>	<u>\$136,541</u>	<u>\$48,527</u>	<u>\$9,461</u>	<u>\$32,874</u>	<u>\$227,403</u>

See accompanying notes to the basic financial statements

Village of Lowellville, Ohio
Mahoning County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$155,679	\$0	\$155,679
<i>Total Operating Cash Receipts</i>	<u>155,679</u>	<u>-</u>	<u>155,679</u>
Operating Cash Disbursements			
Personal Services	133,161		133,161
Employee Fringe Benefits	54,740		54,740
Contractual Services	158,228		158,228
Supplies and Materials	198,699		198,699
Other	136		136
<i>Total Operating Cash Disbursements</i>	<u>544,964</u>	<u>-</u>	<u>544,964</u>
<i>Operating Income (Loss)</i>	<u>(389,285)</u>	<u>-</u>	<u>(389,285)</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	633		633
Capital Outlay	(22,268)		(22,268)
Principal Retirement	(3,283)		(3,283)
Interest and Other Fiscal Charges	(3,444)		(3,444)
Other Financing Sources	459,635		459,635
Other Financing Uses	(11,476)		(11,476)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>419,797</u>	<u>-</u>	<u>419,797</u>
<i>Net Change in Fund Cash Balances</i>	<u>30,512</u>	<u>-</u>	<u>30,512</u>
<i>Fund Cash Balances, January 1</i>	<u>380,895</u>	<u>1,109</u>	<u>382,004</u>
<i>Fund Cash Balances, December 31</i>	<u>\$411,407</u>	<u>\$1,109</u>	<u>\$412,516</u>

See accompanying notes to the basic financial statements

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Lowellville (the Village), Mahoning 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.

Public Entity Risk Pools

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). Note 7 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 and fiduciary fund types which are 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 - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund: Ohio Water Development Authority (OWDA) loan

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Sanitary Sewer Projects - This fund receives Federal monies to pay for improvements to the wastewater treatment plant.

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 Fund:

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

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund is the Mayors Court Fund which collects fines and court costs on behalf of the State of Ohio, the Village and other local jurisdictions. As of December 31, 2016, the Village no longer has a functioning Mayor's Court, there remains a residual ending fund balance.

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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies *(Continued)*

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

A summary of 2018 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.

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.

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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Prior Period Adjustment

During 2018, the Village voided stale dated checks. The fund balance adjustments had the following effect:

	General	Special Revenue	Debt Service	Capital Projects	Total
Fund Cash Balance, January 1, 2018	\$315,554	\$20,059	\$2,379	\$41,555	\$379,547
Stale Dated Checks Cancelled	\$4,486	\$285	\$0	\$2	\$4,773
Adjusted Fund Cash Balance, January 1, 2018	\$320,040	\$20,344	\$2,379	\$41,557	\$384,320

	Enterprise	Agency	Total
Fund Cash Balance, January 1, 2018	\$376,312	\$1,109	\$377,421
Stale Dated Checks Cancelled	\$4,583	\$0	\$4,583
Adjusted Fund Cash Balance, January 1, 2018	\$380,895	\$1,109	\$382,004

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$935,696	\$1,074,196	\$138,500
Special Revenue	97,900	143,024	45,124
Debt Service	23,997	7,127	(16,870)
Capital Projects	2,000	284,699	282,699
Enterprise	1,057,746	615,947	(441,799)
Total	\$2,117,339	\$2,124,993	\$7,654

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,401,431	\$1,257,695	\$143,736
Special Revenue	159,574	114,841	44,733
Debt Service	45	45	0
Capital Projects	97,980	293,382	(195,402)
Enterprise	727,786	585,435	142,351
Total	\$2,386,816	\$2,251,398	\$135,418

Contrary to Ohio law §5705.41(B) budgetary expenditures exceeded appropriations authority in the Capital Project fund by \$195,402 for the year ended December 31, 2018. Contrary to Ohio law §5705.36(A) (3) an amended certificate of estimated resources was not obtained for OPWC projects.

In addition, contrary to Ohio law §5705.39 appropriations exceeded estimated resources available (estimated receipts plus unencumbered balances) in the General Fund and Stavich Bike Trail Fund by \$150,181 and \$43,000, respectively.

Note 5 – Deposits and Investments

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

Demand deposits	2018 \$323,020
Other time deposits (savings and NOW accounts)	316,899
Total deposits	\$639,919

Deposits

The Village's deposits are collateralized by the financial institution's public entity deposit pool.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 2 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.

The Regional Income Tax Agency administers and collects income taxes for the Village.

Note 7 - Risk Management

Risk Pool Membership

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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. 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. 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. OPRM had 774 members as of December 31, 2018.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Risk Management *(Continued)*

Risk Pool Membership

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</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 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

Some Village Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Postemployment Benefits *(Continued)*

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 5480	\$13,678	0%
Ohio Water Development Authority Loan 6820 *	1,114,947	2.57 - 3.34%
Ohio Water Development Authority Loan 7149	171,579	2.92
Ohio Public Works Commission Loan CF32U	117,845	3.09%
2016 Chevy Silverado-Promissory Note	20,957	4.06%
2018 Police SUV	41,976	3.09%
Total	[1] \$1,480,982	

[1] 2017 report outstanding year end balance was calculated incorrectly total amount should have been \$1,394,558.

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

* The Ohio Water Development Authority (OWDA) loan 6820 pertains to the Waste Water Treatment Plant improvements. The OWDA approved a total loan of \$1,317,585 in loans to the Village for this project. In 2018, OWDA adjusted the principal down by \$63. The Village will be reimbursed annually by BFI for all future principal and interest payments related to this debt.

The Ohio Water Development Authority (OWDA) loan 7149 pertains to the McGill and Walnut streets drainage improvements. The OWDA approved a total loan of \$194,017.

The Ohio Public Works Commission (OPWC) Loan CF32U is for the 2017 Road Improvements project. The loan was approved in the amount of \$117,845 and the Village will repay the loan in semiannual installments of \$5,892 over a period of ten years. The first payment due July 1, 2019.

The Village purchased a 2016 Chevy Silverado in January of 2017. The total amount including finance charges is \$40,798.80. The Village will pay the loan in 60 monthly payments of \$679.98.

The Village purchased a 2018 Police Cruiser in March of 2018. The total amount including finance charges is \$47,683. The Village will pay the loan in semi-annual payments of \$6,378.08 for a period of 4 years.

Village of Lowellville, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (Continued)

Leases

The Village’s lease was issued in 2014 to pay for the purchase of a Ford Explorer for the Police Department. The Village’s taxing authority collateralized the note. The Village disbursed \$2,111 to pay lease costs for the year ended December 31, 2018.

Amortization

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

Year Ending December 31:	OWDA Loan 5480	OWDA Loan 6820	OWDA Loan 7149	OPWC Loan CF32U	2016 Chevy Silverado	2018 Police SUV
2019	\$1,189	\$89,297	\$12,876	\$5,892	\$8,160	\$12,756
2020	1,189	89,297	12,876	11,784	8,160	12,756
2021	1,189	89,297	12,876	11,784	6,039	12,756
2022	1,189	89,297	12,876	11,784		6,378
2023	1,189	89,297	12,876	11,784		
2024-2028	5,945	446,485	64,380	58,920		
2029-2033	1,788	446,485	64,380	5,897		
2033-2036		89,297	12,876			
Total	\$13,678	\$1,428,752	\$206,016	\$117,845	\$22,359	\$44,647

Note 10 – Subsequent Events

As of December 31, 2016, the Village no longer has a functioning Mayor’s Court. There remains a residual balance of \$1,109 for which the Village will be going to the Court of Common Pleas to transfer back to General Fund.

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Village of Lowellville
Mahoning County
140 E. Liberty Street
Lowellville, Ohio 44436

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the Village of Lowellville, Mahoning County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts in the Enterprise Funds. In addition, as disclosed in Note 10, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 through 2019-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001, 2019-002 and 2019-004.

Purpose of this Report

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

**Karen S
Alger, CPA**

Digitally signed by Karen S Alger, CPA
DN: cn=Karen S Alger, CPA, o=Alger &
Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2020.06.11 10:00:26 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

May 27, 2020

Village of Lowellville, Ohio
Mahoning County

Schedule of Findings
DECEMBER 31, 2018 - 2019

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

FINDING NUMBER 2019-001

Noncompliance Citation/Material Weakness – On-Behalf Payments

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

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

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

The Village was the beneficiary of the Ohio Public Works Commission (OPWC) monies that were paid directly to the vendors in the amount of \$180,303 in 2018 and \$7,559 in 2019, respectively. The Village did not record the receipts and expenditure transactions relating to these OPWC on-behalf payments. Additionally, the \$15,099 in 2018 and \$9,688 in 2019 reimbursement to the Village from OPWC directly, was recorded in the General fund rather than the Capital Project Fund, resulting in a understatement of Capital Project intergovernmental receipts and capital outlay expenditures in the Capital Project Fund and an overstatement in the General Fund of the same amounts. These adjustments were made to the Village's financial statements and related notes for the year ended December 31, 2018 and December 31, 2019, in relation to these on-behalf payments.

In addition, the Village did not amend their estimated resources and appropriations to properly budget for the expected grant receipts and expenditures. Ohio Revised Code Section 5705.41(B) budgetary violation for expenditures exceeding appropriations were noted for the grant expenditure in 2018 by the \$195,402 and \$22,720 in 2019 in the Capital Project Fund.

**Village of Lowellville, Ohio
Mahoning County**

**Schedule of Findings
DECEMBER 31, 2018 - 2019**

FINDING NUMBER 2019-001 (continued)

Noncompliance Citation/Material Weakness – On-Behalf Payments (continued)

In general, when approved for funding by a State or Federal agency, the Village should follow the reporting requirements summarized by Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of certifying the available resources to the County Budget Commission and amend appropriations to account for the expected grant or project receipts and expenditures.

We recommend the Village consult with their engineer or other personnel to obtain the required supporting documentation and review the Village Officer’s Handbook, to help ensure accurate financial reporting. The Village should review the Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of certifying the available resources to the County Budget Commission and amend appropriations to account for the expected grant or project receipts and expenditures. We also recommend the Village consider establishing a policy/procedure for reviewing the State or Federal agency correspondence/documentation related to ongoing projects in which on-behalf type payment activity would be occurring (i.e., the OPWC website – Disbursement History Reports)

The Clerk-Treasurer should utilize the Ohio Village’ accounting manual and Uniform Accounting Network Accounting (UAN) manual to assist in identifying proper accounts and funds. In addition, the Board should review monthly receipt and disbursement reports to help ensure transactions are properly classified. This may help ensure the Village’s financial activity is accurately reported.

FINDING NUMBER 2019-002

Noncompliance Citation/Material Weakness Appropriations Exceeding Estimated Resources

Ohio Rev. Code §5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources [estimated receipts plus unencumbered balances]. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As of December 31, 2018, and December 31, 2019, the following funds had appropriations exceeding total estimated resources:

Year/Fund	Total Estimated Resources	Final Appropriations	Variance
2018			
General Fund	\$1,251,250	\$1,401,431	(\$150,181)
Stavich Bike Trail Fund	\$0	\$43,000	(\$43,000)
2019			
General Fund	\$1,003,404	\$1,050,326	(\$46,922)
Sewer Operating Fund	\$688,272	\$697,272	(\$9,000)

This situation may lead to disbursements within said funds exceeding the actual revenue available and negative cash balances.

Management should monitor the budgetary cycle throughout the year to ensure appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received.

**Village of Lowellville, Ohio
Mahoning County**

**Schedule of Findings
DECEMBER 31, 2018 - 2019**

FINDING NUMBER 2019-003

Material Weakness

Budgetary Measurers – Accounting System

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make decision regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipt’s ledger.

The following variance for selected funds were noted at year-end for 2018 and 2019:

2018:

Fund	2018 County Auditor Certificate of Estimated Receipts	2018 UAN Estimated Revenue	Variance
General	\$935,696	\$1,132,550	(\$196,854)
Street Construction	\$65,000	\$67,215	(\$2,215)
Note Retirement	\$23,997	\$16,226	\$7,771
Sanitary Sewer Bond	\$89,297	\$102,173	(\$12,876)
Sewer Operating	\$949,859	\$625,522	\$324,337
Sewer Capital Imp	\$50	\$633	(\$583)

2019:

.Fund	2019 County Auditor Certificate of Estimated Receipts	2019 UAN Estimated Revenue	Variance
General	\$866,863	\$962,610	(\$26,914)
Street Construction	\$65,000	\$76,034	(\$11,034)
Note Retirement	\$23,997	\$33,440	(\$9,443)
Sanitary Sewer Bond	\$89,297	\$112,998	(\$23,702)
Sewer Operating	\$580,000	\$637,227	(\$57,227)
Sewer Capital Imp	\$150	\$30,575	(\$30,425)

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not posted the accounting system.

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balance. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements

The Clerk-Treasurer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the Amended Official Certificate of Estimated Resources to assure they agree. If the amounts do not agree, Council may be using inaccurate information for budgeting and monitoring purposes.

Village of Lowellville, Ohio
Mahoning County

Schedule of Findings
DECEMBER 31, 2018 - 2019

FINDING NUMBER 2019-004

Noncompliance Citation/Material Weakness – Financial Reporting

Ohio Administrative Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

All receipts/disbursements should be properly classified as to the type of receipt/disbursement based on its source and purpose.

The Village recorded several transactions incorrectly. Incorrect postings identified included the following:

2018 Incorrect postings resulting in financial statement reclassifications:

- The 2018 principal and interest payments for the 2016 Police Explorer in the amount of \$5,707 and \$672 respectively and principal and interest payments for the 2018 Police Cruiser debt of \$2,111 and \$83 respectively, were improperly posted to the Security of Person & Property account rather than in the Principal Retirement account and the Interest and Fiscal Charges accounts within the General Fund.
- The \$12,000 payment for an ambulance purchase was improperly posted to the Security of Person & Property account rather than Capital Outlay account within the General Fund.
- Capital expenditures for the purchase of a police truck of \$34,084; an ambulance of \$10,000 partial payment, and a \$10,000 paving payment were improperly posted to the Other Financing Uses account rather than Capital Outlay account with the General Fund.
- The purchase of land for \$36,305 was improperly posted in the Other Financing Uses account rather than General Government account within the General Fund.
- Homestead receipts totaling \$8,893 posted in the General Fund, were improperly posted to the Property and Other Taxes account rather than as Intergovernmental account.
- Various refunds, reimbursements and donations totaling \$40,699 in the General Fund, were posted in the Other Financing Sources account rather than Miscellaneous Revenue account.
- Some smaller amount of refunds and donations of \$792 and \$3,213 were posted to the Intergovernmental account and the Charges for Services account respectively rather than posted to the Miscellaneous Revenue account.

2019 Incorrect postings resulting in financial statement reclassifications:

- The 2019 principal and interest payments for the 2018 Police Cruiser debt in the amount of \$9,932 and \$1,068 respectively, were improperly posted to the Security of Person & Property account rather than to the Principal Retirement account and the Interest and Fiscal Charges accounts within the General Fund.
- The 2019 principal and interest payments for the 2016 Chevy Silverado in the amount of \$9,587 and \$13 respectively and principal and interest payments for the dump truck debt of \$17,257 and \$1,449 respectively, were improperly posted to the Transportation account rather than as Principal Retirement account and the Interest and Fiscal Charges account within the General Fund.
- The purchase of land for \$36,305 was improperly posted to the Other Financing Uses account rather than General Government account within the General Fund.

Village of Lowellville, Ohio
Mahoning County

Schedule of Findings
DECEMBER 31, 2018 - 2019

FINDING NUMBER 2019-004 *(continued)*

Noncompliance Citation– Financial Reporting *(continued)*

2019 Incorrect postings resulting in financial statement reclassifications: *(continued)*

- The Village received a loan for the purchase of a dump truck in the amount of \$86,285. The Village did not record the loan proceeds nor the purchase of the truck in their accounting system. The purchase should have been recorded to the Loans Proceeds account and an expenditure to the Capital Outlay account.
- Homestead receipts totaling \$8,476 in the General Fund, was improperly posted to the Property and Other Taxes account rather than as Intergovernmental account.
- Various refunds, reimbursements and donations totaling \$12,000 in the General Fund, were posted to Other Financing Sources account rather than Miscellaneous Revenue account.

Also based on provisions in GASB 54, paragraph 16 and Implementation Guide Z.54.13 assigned balances include year-end general fund balances appropriated in the subsequent year. The Village's 2020 appropriations of \$1,245,424 within the General Fund were higher than the estimated resources of \$1,029,024 by \$216,400, therefore the fund amount at year-end balance of \$193,225 should be reported as assigned fund in 2019. The Village's 2019 appropriations of \$1,014,429 within the General Fund were higher than the estimated resources of \$866,863 by \$147,566, therefore the fund amount at year-end balance of \$136,541 should be reported as assigned fund in 2018.

The financial statements reflect all of the above corrections.

The Clerk-Treasurer should utilize the Ohio Village' accounting manual and Uniform Accounting Network Accounting (UAN) manual to assist in identifying proper accounts and funds. In addition, the Board should review monthly receipt and disbursement reports to help ensure transactions are properly classified. This may help ensure the Village's financial activity is accurately reported.

Also, the Clerk-Treasurer should review the subsequent year appropriations and estimated resources to determine if the General Fund appropriations exceed estimated resources. The excess amount should be reported as assigned fund balance within the General Fund's fund balance in accordance with the provisions of GASB 54, paragraph 16 and Implementation Guide Z.54.13

**Village of Lowellville, Ohio
Mahoning County**

**Schedule of Findings
DECEMBER 31, 2018 - 2019**

FINDING NUMBER 2019-005

Material Weakness – Sewer Billings and Collections

U.S. Attestation Standards (clarified) Section 320 (AT-C 320) codifies standards for reporting on an Examination of Controls at service organizations. An unmodified Type Two Report on Management’s Description of a Service Organization’s System and the Suitability of Design and Operating Effectiveness of Controls in accordance with AT-C 320 should help provide the City with reasonable assurance that sewer billings and collections conform to the contract.

The Village has delegated the processing of sewer billings and collections, which is a significant accounting function, to a third-party administrator, Aqua Utility Services. The following internal control weaknesses were noted with regard to the processing of sewer billings and collections:

- Aqua Utility Services is able to provide monthly billing and collection reports to the Village for review, but the Village does not request these reports.
- The Village has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that sewer billings and collections have been completely and accurately processed in accordance with the contract between the Village and Aqua Utility Services.

Aqua Utility Services processed \$144,887 in 2018 and \$159,830 in 2019 in utility receipts for the Village. Due to the lack of controls over the billing and collections of these receipts we were unable to determine if sewer bills and collections were processed properly.

These conditions may not assure the completeness and accuracy of sewer billings and collections processed by the third-party administrator.

The Village should request standing data from the service organization, including the name and address of the people being billed. The Village should assign personnel to review the standing data to ensure residents of the Village that should be charged for sewer usage are being charged. The Village should also request billing information from the service organization to ensure correct rates are being used and are being calculated properly according to usage.

Additionally, the Village should request a Type Two SOC 1 report or Agreed Upon Procedures report in its contract with Aqua Utility Services. The Village should review the SOC 1 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. In addition, if agreed upon procedures are to be done, the Auditor of State’s office should be consulted prior to entering into a contract for these services.

Officials Response: We did not receive a response from the Village on any of the above findings.

**VILLAGE OF LOWELLVILLE
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 and DECEMBER 31, 2019**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2017-001	On-Behalf Payments not recorded.	No	Not Corrected repeated as 2019-001
2017-002	Lack of controls over water and sewer.	No	Not Corrected repeated as 2019-005
2017-003	Lack of control over posting of estimated resources to the accounting system.	No	Not Corrected repeated as 2019-003

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OHIO AUDITOR OF STATE KEITH FABER



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
JULY 7, 2020**