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**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

ANNUAL FINANCIAL REPORT

2005

TOWN OF LOWELL

LAKE COUNTY, INDIANA



**FILED**  
08/31/2006



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Walters	01-01-04 to 12-31-07
President of the Town Council	David Gard	01-01-05 to 12-31-06
Superintendent of Water Utility	Dan Myers	01-01-05 to 12-31-06
Superintendent of Wastewater Utility	Terry Wright	01-01-05 to 12-31-06



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF LOWELL, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lowell (Town), as of and for the year ended December 31, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the Town referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, Town of Lowell, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the Town that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the Town of Lowell as of December 31, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the utilities referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water and Wastewater Utilities, as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated June 19, 2006, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole and its Utilities. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedule of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Other Governmental Funds; Combining Schedule of Additions, Deductions, and Changes in Cash Balances – Pension Trust Funds; Combining Schedule of Additions, Deductions, and Changes in Cash Balances – Agency Funds; Schedule of Capital Assets; and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedule of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Other Governmental Funds; Combining Schedule of Additions, Deductions, and Changes in Cash Balances – Pension Trust Funds; and Combining Schedule of Additions, Deductions, and Changes in Cash Balances – Agency Funds; have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 19, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF LOWELL, LAKE COUNTY, INDIANA

We have audited the financial statements of the Town of Lowell (Town), and the Water and Wastewater Utilities (Utilities), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town and its Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance other than those we have discussed with the management of the Town on June 29, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town and its Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

However, we noted other matters involving the internal control over financial reporting that we have discussed with the management of the Town and its Utilities on June 29, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the Town and its Utilities' management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 19, 2006

TOWN OF LOWELL  
STATEMENT OF CASH ACTIVITIES AND NET ASSETS - CASH BASIS  
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,255,782	\$ 257,504	\$ -	\$ -	\$ (2,998,278)	\$ -	\$ (2,998,278)
Public safety	1,550,394	9,891	102,265	5,336	(1,432,902)	-	(1,432,902)
Highways and streets	559,114	3,949	238,001	191,476	(125,688)	-	(125,688)
Sanitation	330,388	329,413	29,442	-	28,467	-	28,467
Culture and recreation	540,575	45,787	51,417	47,813	(395,558)	-	(395,558)
Total governmental activities	6,236,253	646,544	421,125	244,625	(4,923,959)	-	(4,923,959)
Business-type activities:							
Water	1,714,693	1,787,746	-	-	-	73,053	73,053
Wastewater	2,512,090	4,087,152	-	-	-	1,575,062	1,575,062
Total business-type activities	4,226,783	5,874,898	-	-	-	1,648,115	1,648,115
Total primary government	\$ 10,463,036	\$ 6,521,442	\$ 421,125	\$ 244,625	(4,923,959)	1,648,115	(3,275,844)
General receipts:							
Property taxes					3,692,929	-	3,692,929
FIT tax					83,063	-	83,063
Commercial vehicle excise tax					6,049	-	6,049
ABC gallonage tax					23,824	-	23,824
Cigarette tax					29,527	-	29,527
Refunds and reimbursements					870	-	870
Other local sources					72,583	-	72,583
Bonds and loans					1,932,576	-	1,932,576
Unrestricted investment earnings					13,221	12,616	25,837
Total general receipts					5,854,642	12,616	5,867,258
Change in net assets					930,683	1,660,731	2,591,414
Net assets - beginning					1,726,294	2,822,768	4,549,062
Net assets - ending					\$ 2,656,977	\$ 4,483,499	\$ 7,140,476
<u>Assets</u>							
Cash and cash equivalents					\$ 1,682,333	\$ 1,057,022	\$ 2,739,355
Restricted assets:							
Cash and cash equivalents					974,644	3,426,477	4,401,121
Total assets					\$ 2,656,977	\$ 4,483,499	\$ 7,140,476
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ 60,769	\$ 1,483,606	\$ 1,544,375
Other purposes					913,875	1,942,871	2,856,746
Unrestricted					1,682,333	1,057,022	2,739,355
Total net assets					\$ 2,656,977	\$ 4,483,499	\$ 7,140,476

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

TOWN OF LOWELL  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	<u>General</u>	<u>MVH</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Receipts:</b>				
Taxes	\$ 2,976,985	\$ 277,174	\$ 438,770	\$ 3,692,929
Licenses and permits	142,754	-	990	143,744
Intergovernmental	192,298	246,327	336,300	774,925
Charges for services	69,169	-	380,076	449,245
Fines and forfeits	36,882	-	15,308	52,190
Other	50,364	870	49,562	100,796
	<u>3,468,452</u>	<u>524,371</u>	<u>1,221,006</u>	<u>5,213,829</u>
<b>Total receipts</b>				
<b>Disbursements:</b>				
General government	784,678	-	42,916	827,594
Public safety	1,492,366	-	23,067	1,515,433
Highways and streets	-	484,114	-	484,114
Sanitation	-	-	330,388	330,388
Culture and recreation	-	-	319,300	319,300
Debt service:				
Principal				
Culture and recreation	-	-	61,597	61,597
Capital outlay:				
General government	-	-	109,759	109,759
Public safety	-	-	34,961	34,961
	<u>2,277,044</u>	<u>484,114</u>	<u>921,988</u>	<u>3,683,146</u>
<b>Total disbursements</b>				
Excess of receipts over disbursements	<u>1,191,408</u>	<u>40,257</u>	<u>299,018</u>	<u>1,530,683</u>
<b>Other financing sources (uses)</b>				
Tax anticipation warrant	-	-	50,000	50,000
Interfund loans	(1,070,000)	(75,000)	453,000	(692,000)
Transfers in	-	-	20,531	20,531
Transfers out	-	-	(20,531)	(20,531)
	<u>(1,070,000)</u>	<u>(75,000)</u>	<u>503,000</u>	<u>(642,000)</u>
<b>Total other financing sources (uses)</b>				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	121,408	(34,743)	802,018	888,683
Cash basis fund balance - beginning	<u>881,078</u>	<u>151,709</u>	<u>692,669</u>	<u>1,725,456</u>
Cash basis fund balance - ending	<u>\$ 1,002,486</u>	<u>\$ 116,966</u>	<u>\$ 1,494,687</u>	<u>2,614,139</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.				<u>42,838</u>
Net assets of governmental activities				<u>\$ 2,656,977</u>
<b><u>Cash Basis Assets - December 31</u></b>				
Cash and cash equivalents	\$ 1,002,486	\$ 116,966	\$ 520,043	\$ 1,639,495
Restricted assets:				
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>974,644</u>	<u>974,644</u>
Total cash basis assets - December 31	<u>\$ 1,002,486</u>	<u>\$ 116,966</u>	<u>\$ 1,494,687</u>	<u>\$ 2,614,139</u>
<b><u>Cash Basis Fund Balance - December 31</u></b>				
Restricted for:				
Debt service	\$ -	\$ -	\$ 60,769	\$ 60,769
Other purposes	-	-	913,875	913,875
Unrestricted	<u>1,002,486</u>	<u>116,966</u>	<u>520,043</u>	<u>1,639,495</u>
Total cash basis fund balance - December 31	<u>\$ 1,002,486</u>	<u>\$ 116,966</u>	<u>\$ 1,494,687</u>	<u>\$ 2,614,139</u>

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

TOWN OF LOWELL  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
December 31, 2005

<u>Assets</u>	Business-Type Activities		
	Water Utility	Wastewater Utility	Total
Current assets:			
Cash and cash equivalents	\$ 53,150	\$ 1,003,872	\$ 1,057,022
Accounts receivable (net of allowance)	61,172	98,718	159,890
Interfund receivables:			
Interfund loans	-	1,000,000	1,000,000
Inventories	64,118	41,681	105,799
Prepaid items	11,576	16,897	28,473
Total current assets	190,016	2,161,168	2,351,184
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Bond and interest	245,791	40,675	286,466
Improvement	703,072	1,011,626	1,714,698
Reserve	387,152	809,988	1,197,140
Operating reserve	-	88,500	88,500
Customer deposits	74,573	65,100	139,673
Total restricted assets	1,410,588	2,015,889	3,426,477
Deferred charges	74,702	125,338	200,040
Capital assets:			
Land, improvements to land and construction in progress	480,250	6,941,303	7,421,553
Other capital assets (net of accumulated depreciation)	7,683,937	7,288,488	14,972,425
Total capital assets	8,164,187	14,229,791	22,393,978
Total noncurrent assets	9,649,477	16,371,018	26,020,495
Total assets	9,839,493	18,532,186	28,371,679
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	23,925	8,240	32,165
Accrued wages and withholdings payable	14,503	16,933	31,436
Interest payable	577	-	577
Capital lease obligation	25,493	23,034	48,527
Taxes payable	5,314	-	5,314
Current liabilities payable from restricted assets:			
Customer deposits	74,573	65,100	139,673
Interest payable	133,720	-	133,720
Loans payable	112,000	35,500	147,500
Advances for construction	1,700	-	1,700
Capital lease obligation	33,107	-	33,107
Total current liabilities	424,912	148,807	573,719
Noncurrent liabilities:			
Compensated absences	16,687	21,983	38,670
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	1,065,435	1,065,435
Loans Payable	4,928,000	9,660,195	14,588,195
Capital leases payable	85,371	-	85,371
Total noncurrent liabilities	5,030,058	10,747,613	15,777,671
Total liabilities	5,454,970	10,896,420	16,351,390
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,783,919	3,458,709	6,242,628
Restricted for debt service	632,943	850,663	1,483,606
Restricted for other purposes	777,645	1,165,226	1,942,871
Unrestricted	190,016	2,161,168	2,351,184
Total net assets	\$ 4,384,523	\$ 7,635,766	\$ 12,020,289

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

TOWN OF LOWELL  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Operating revenues:			
Unmetered water revenue	\$ 18,601	\$ -	\$ 18,601
Metered water revenue:			
Residential/commercial	1,340,279	-	1,340,279
Taps	93,690	376,660	470,350
Fire protection revenue	176,890	-	176,890
Penalties	9,817	38,473	48,290
Other water revenue	1,034	-	1,034
Measured revenue:			
Residential/commercial	-	1,538,069	1,538,069
Industrial	-	163,654	163,654
Other	-	665,476	665,476
	<u>1,640,311</u>	<u>2,782,332</u>	<u>4,422,643</u>
Total operating revenues			
Operating expenses:			
Source of supply and expense - operations and maintenance	178,359	-	178,359
Water treatment expense - operations and maintenance	319,980	-	319,980
Transmission and distribution	367,734	-	367,734
Collection system - operations and maintenance	-	79,996	79,996
Treatment and disposal - operations and maintenance	-	600,069	600,069
Customer accounts	71,025	72,947	143,972
Administration and general	199,516	465,954	665,470
Bad debt expense	7,618	5,435	13,053
Depreciation and amortization	154,770	524,017	678,787
	<u>1,299,002</u>	<u>1,748,418</u>	<u>3,047,420</u>
Total operating expenses			
Operating income	<u>341,309</u>	<u>1,033,914</u>	<u>1,375,223</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	7,120	11,322	18,442
Miscellaneous revenue	22,361	276,018	298,379
Farm income	23,482	500	23,982
Cell tower rental	24,134	-	24,134
Interest on leases	(3,735)	(1,389)	(5,124)
Interest on revenue bonds	-	(132,709)	(132,709)
Interest on RECD loan	(264,600)	-	(264,600)
Interest on SRF loan	-	(115,400)	(115,400)
Interest on security deposits	-	(188)	(188)
Amortization of loan issue costs	-	(7,274)	(7,274)
Amortization of bond issue costs	(3,248)	(6,843)	(10,091)
Cedar Lake SRF payments	-	(41,027)	(41,027)
	<u>(194,486)</u>	<u>(16,990)</u>	<u>(211,476)</u>
Total nonoperating revenues (expenses)			
Income before contributions	146,823	1,016,924	1,163,747
Capital contributions	<u>31,057</u>	<u>-</u>	<u>31,057</u>
Change in net assets	177,880	1,016,924	1,194,804
Total net assets - beginning	<u>4,206,643</u>	<u>6,618,842</u>	<u>10,825,485</u>
Total net assets - ending	<u>\$ 4,384,523</u>	<u>\$ 7,635,766</u>	<u>\$ 12,020,289</u>

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

TOWN OF LOWELL  
RECONCILIATION OF THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES,  
EXPENSES AND OTHER CHANGES IN FUND NET ASSETS OF THE ENTERPRISE FUNDS TO  
THE STATEMENT OF CASH AND INVESTMENT BALANCES AND THE STATEMENT OF CASH ACTIVITIES  
December 31, 2005

Net assets of business-type activities reported in the enterprise fund statement of net assets	\$ 12,020,289
Amounts reported for net assets of business-type activities in the enterprise fund statements are different because:	
Capital assets are reported as disbursements in the year of acquisition in the government-wide financial statements, but are capitalized and amortized over a period of years in the enterprise fund statements.	(15,565,532)
Construction work in progress is reported as disbursements in the year of acquisition in the government-wide financial statements, but is capitalized in the enterprise fund statements and upon completion is transferred to capital assets then amortized over a period of years in the enterprise fund statements.	(6,828,446)
Long-term debt is reported as a cash receipt in the year the proceeds are obtained in the government-wide financial statements, but are reported as a liability and expensed over the life of the debt in the enterprise fund statements.	15,777,671
Short-term receivables and payables are reported as cash receipts or cash disbursements in the current year in the government-wide financial statements, but are accrued and reported in the period the benefit is derived or liability is incurred in the fund statements.	<u>(920,483)</u>
Net assets of business-type activities reported in the government-wide financial statements	<u>\$ 4,483,499</u>

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

TOWN OF LOWELL  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,704,626	\$ 3,620,906	\$ 5,325,532
Payments to suppliers and contractors	(527,250)	(665,158)	(1,192,408)
Payments to employees	(611,414)	(618,963)	(1,230,377)
Net cash provided by operating activities	<u>565,962</u>	<u>2,336,785</u>	<u>2,902,747</u>
Cash flows from capital and related financing activities:			
Proceeds from SRF Loans	-	317,500	317,500
Acquisition and construction of capital assets	(68,052)	(179,525)	(247,577)
Principal paid on revenue bonds	-	(540,000)	(540,000)
Principal paid on loans	(106,000)	(35,500)	(141,500)
Principal paid on capital lease obligation	(46,466)	(32,864)	(79,330)
Interest paid on revenue bonds	-	(181,018)	(181,018)
Interest paid on loans	(267,383)	(115,400)	(382,783)
Interest paid on capital lease obligation	(4,048)	(1,690)	(5,738)
Interest paid on security deposits	-	(188)	(188)
Net cash used by capital and related financing activities	<u>(491,949)</u>	<u>(768,685)</u>	<u>(1,260,634)</u>
Cash flows from investing activities:			
Interest received	<u>7,296</u>	<u>11,322</u>	<u>18,618</u>
Net increase in cash and cash equivalents	81,309	1,579,422	1,660,731
Cash and cash equivalents, January 1	<u>1,382,429</u>	<u>1,440,339</u>	<u>2,822,768</u>
Cash and cash equivalents, December 31	<u>\$ 1,463,738</u>	<u>\$ 3,019,761</u>	<u>\$ 4,483,499</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 341,309</u>	<u>\$ 1,033,914</u>	<u>\$ 1,375,223</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	154,770	524,017	678,787
Bad debt expense	7,618	5,435	13,053
Nonoperating revenues	69,801	235,491	305,292
(Increase) decrease in assets:			
Accounts receivable	(5,486)	(37,944)	(43,430)
Interfund loans	-	600,000	600,000
Inventories	(5,482)	(3,192)	(8,674)
Prepaid items	2,848	3,136	5,984
Increase (decrease) in liabilities:			
Accounts payable	(9,799)	(35,784)	(45,583)
Accrued wages and withholdings payable	1,077	3,834	4,911
Taxes payable	230	-	230
Compensated absence	5,926	4,478	10,404
Customer deposits	3,150	3,400	6,550
Total adjustments	<u>224,653</u>	<u>1,302,871</u>	<u>1,527,524</u>
Net cash provided by operating activities	<u>\$ 565,962</u>	<u>\$ 2,336,785</u>	<u>\$ 2,902,747</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets from government	\$ 31,057	\$ -	\$ 31,057
Acquisition of capital assets through SRF loans payable	-	6,772,216	6,772,216
Acquisition of capital assets through accounts payable	5,800	-	5,800

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

TOWN OF LOWELL  
STATEMENT OF ASSETS AND FUND BALANCES AND  
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES- CASH BASIS  
INTERNAL SERVICE FUND  
As of and for the Year Ended December 31, 2005

	Internal Service
Transfers in	\$ 42,000
Cash basis fund balance - beginning	838
Cash basis fund balance - ending	\$ 42,838
<u>Cash Basis Assets - December 31</u>	
Cash and cash equivalents	\$ 42,838
<u>Cash Basis Fund Balance - December 31</u>	
Unrestricted	\$ 42,838

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

TOWN OF LOWELL  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2005

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ 41,348	\$ -
Agency fund additions	<u>-</u>	<u>2,913,193</u>
Total additions	<u>41,348</u>	<u>2,913,193</u>
Deductions:		
Benefits	67,892	-
Administrative and general	200	-
Agency fund deductions	<u>-</u>	<u>2,884,627</u>
Total deductions	<u>68,092</u>	<u>2,884,627</u>
Excess (deficiency) of total additions over (under) total deductions	(26,744)	28,566
Cash and cash equivalents - beginning	<u>98,213</u>	<u>192,460</u>
Cash and cash equivalents - ending	<u>\$ 71,469</u>	<u>\$ 221,026</u>

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

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, and wastewater.

The Town's financial reporting entity is composed of the following:

Primary Government

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The financial statements of the Utilities reflect only the activity of the Utilities and are not intended to present fairly the position of the Town of Lowell (Town). The Utilities, whose operations are controlled by the Town, represents a substantial portion of the Town's enterprise funds.

Related Organizations

The Town's officials are also responsible for appointing the members of the boards of other organizations, but the Town's accountability for these organizations does not extend beyond making the appointments. The Town appoints board members to the Lowell Public Library Board and the Lake County Solid Waste Management District Board. The Town also appoints a commission member, who must be an elected official, of the Northwestern Indiana Regional Planning Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The MVH (motor vehicle highway) fund is a special revenue fund. It accounts for the financial resources received from the State of Indiana's Motor Vehicle Highway distributions to fund the construction and maintenance of local roadways.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

The financial statements of the Utilities reflect only the activity of the Utilities and are not intended to present fairly the position of the Town of Lowell (Town). The Utilities, whose operations are controlled by the Town, represents a substantial portion of the Town's enterprise funds.

Additionally, the Town reports the following fund types:

The internal service fund accounts for employee health insurance benefits, however, it is currently being dissolved.

The pension trust fund accounts for the activities of the 1925 police pension fund, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the Town as an agent for state and other local governmental entities, payroll withholding remittances, and developers and serve as control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, internal service fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid. The enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The cash basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The activity has been classified Class (A or B), requiring full accrual accounting records, by the National Association of Regulatory Utility Commissioners.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash Fund Balances

1. Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

Long-term debt and other long-term obligations of the Utilities are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Revenues and Expenses

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town and its Utilities' deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2005, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
Nonmajor governmental	Nonmajor governmental	\$ 20,531

The Town typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

C. Segment Information

The Town issued revenue bonds to finance Sewage Works Refunding Revenue Bonds of 1993. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the wastewater utility is presented below.

Condensed Statement of Cash Basis Net Assets	
	2005
Cash basis assets:	
Cash and cash equivalents	\$ 1,003,872
Restricted assets	2,015,889
Total cash basis assets	\$ 3,019,761
Cash basis net assets:	
Restricted for:	
Debt service	\$ 850,663
Other purposes	1,165,226
Unrestricted	1,003,872
Total cash basis net assets	\$ 3,019,761

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Condensed Statement of Receipts, Disbursements  
and Changes in Cash Basis Net Assets

	2005
Receipts (pledged against bond)	\$ 2,792,441
Operating disbursements	<u>(1,332,398)</u>
Excess of receipts over disbursements	<u>1,460,043</u>
Nonoperating receipts (disbursements):	
Bond and loan principal	(575,500)
Interest received	11,322
Intergovernmental	242,000
Interest disbursed	(296,418)
Capital improvements	(179,525)
Capital contributions	317,500
Temporary loan repayment	<u>600,000</u>
Total nonoperating receipts (disbursements)	<u>119,379</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	1,579,422
Beginning cash basis net assets	<u>1,440,339</u>
Ending cash basis net assets	<u><u>\$ 3,019,761</u></u>

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Tax Levies and Rates for 2004 and 2005

Property tax rates and levies were not established by February 15, 2004, as required by state statute due to the delay in the completion of the reassessment of Lake County. The 2004 property tax rates and levies were not established until October 2004. The tax bills were not mailed until March 2005 with the first installment due in April 2005 and the second installment due by June 2005. The 2005 property tax rates and levies were not established until September 2005. The 2004 payable 2005 property tax bills were mailed out October 31, 2005, with the first installment due November 18, 2005, and the second installment due February 10, 2006.

C. Subsequent Events

Property tax rates and levies were not established by the Indiana Department of Local Government Finance as of February 15, 2006, as required by statute due to the continued delay caused by the reassessment of Lake County. As of June 19, 2006, the 2005, pay 2006, property tax bills have not been mailed out.

D. Circuit Breaker Agreement

In 2004, the State provided to Lake County, for the benefit of various taxing units, a circuit breaker loan. The loan was to cover tax bill amounts in excess of 2% of the property's assessed valuation, subject to the property having a homestead exemption on file. On January 11, 2005, the County entered into an agreement with the Town of Lowell and other taxing units receiving gaming tax distributions from Lake County for repayment of the loan. The Town will have its gaming distribution reduced by \$3,436 quarterly for five years, beginning in April 2005, to repay its share of the loan.

E. State Revolving Loan Fund (SRF)

On April 26, 2005, the Town Council applied for a loan from the State Revolving Loan Fund (SRF). Under the terms of the SRF, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds of which are set aside to finance the construction of Phase II of the Lowell Wastewater Treatment Plant. Funds will be loaned to the Town as construction costs are accrued to the maximum allowed. The SRF loan established a maximum draw of \$8,340,000. Annual debt service requirements for the SRF loan will not be determined until planned construction projects are completed. The Town of Cedar Lake has agreed to pay one-half of the total debt service requirements because the treatment plant also services Cedar Lake residences. As of December 31, 2005, the Town has drawn down \$6,772,216.

F. Rate Structure – Enterprise Funds

Water Utility

On September 14, 1999, the Town Council adopted Ordinance 98-20 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on February 14, 2000.

Wastewater Utility

The current rate structure was approved by the Town Council on April 11, 2005.

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

G. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The Town's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the Town results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension
Annual required contribution	\$ 87,930	\$ 178,300
Interest on net pension obligation	479	47,000
Adjustment to annual required contribution	(546)	(78,400)
Annual pension cost	87,863	146,900
Contributions made	68,864	87,883
Increase in net pension obligation	18,999	59,017
Net pension obligation, beginning of year	6,604	696,445
Net pension obligation, end of year	\$ 25,603	\$ 755,462

	PERF	1925 Police Officers' Pension
Contribution rates:		
Town	5%	N/A
Plan members	3%	6%
Actuarial valuation date	07-01-04	01-01-05
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and Realized capital

N/A = Not available

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension
Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

\*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 72,396	57%	\$ (8,444)
	06-30-04	70,279	79%	6,604
	06-30-05	87,863	98%	25,603
1925 Police Officers' Pension Plan	12-31-01	156,600	74%	643,938
	12-31-02	160,600	67%	696,445
	12-31-03	146,900	60%	755,462

Membership in the 1925 Police Officers' Pension Plan at January 1, 2005, was comprised of the following:

Retires and beneficiaries currently receiving benefits	1925 Police Officers' Pension
	3

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

TOWN OF LOWELL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$113,851, \$159,055, and \$123,709, respectively, equal to the required contributions for each year.

TOWN OF LOWELL  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 979,684	\$ 1,024,532	\$ (44,848)	96%	\$ 1,366,971	(3%)
07-01-04	998,131	1,239,959	(241,828)	80%	1,388,729	(17%)
07-01-05	1,052,616	1,645,031	(592,415)	64%	1,398,740	(42%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 16,526	\$ 1,761,400	\$ (1,744,874)	1%	*	*
01-01-01	55,155	1,773,300	(1,718,145)	3%	*	*
01-01-02	96,929	1,784,000	(1,687,071)	5%	*	*
01-01-03	131,395	N/A	N/A	N/A	*	*
01-01-04	153,064	1,601,900	(1,448,836)	10%	*	*
01-01-05	98,113	N/A	N/A	N/A	*	*

N/A = Not available

\*After 1998, the Town no longer has any current police officers on the 1925 Police Officers' Pension Plan, only retirees and beneficiaries. Therefore, there is no covered payroll.

TOWN OF LOWELL  
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

	Local Road and Street	Park and Recreation	Freedom Park	Adult Probation	Park Gift	Solid Waste	Abandon Vehicles
<b>Receipts:</b>							
Taxes	\$ -	\$ 231,503	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	350	-
Intergovernmental	94,272	5,549	24,500	-	-	29,442	-
Charges for services	-	44,572	1,590	-	-	329,063	-
Fines and forfeits	-	-	-	13,577	-	-	-
Other	-	1,630	7,935	-	3,139	-	-
<b>Total receipts</b>	<b>94,272</b>	<b>283,254</b>	<b>34,025</b>	<b>13,577</b>	<b>3,139</b>	<b>358,855</b>	<b>-</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	11,589	-	-	-
Sanitation	-	-	-	-	-	330,388	-
Culture and recreation	-	252,701	65,108	-	1,491	-	-
<b>Debt service:</b>							
Principal	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
<b>Capital outlay:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>252,701</b>	<b>65,108</b>	<b>11,589</b>	<b>1,491</b>	<b>330,388</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>94,272</b>	<b>30,553</b>	<b>(31,083)</b>	<b>1,988</b>	<b>1,648</b>	<b>28,467</b>	<b>-</b>
<b>Other financing sources (uses)</b>							
Tax anticipation warrants	-	50,000	-	-	-	-	-
Interfund loans	150,000	(120,000)	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>150,000</b>	<b>(70,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>244,272</b>	<b>(39,447)</b>	<b>(31,083)</b>	<b>1,988</b>	<b>1,648</b>	<b>28,467</b>	<b>-</b>
<b>Cash basis fund balance - beginning</b>	<b>48,711</b>	<b>45,127</b>	<b>73,036</b>	<b>27,832</b>	<b>3,434</b>	<b>72,367</b>	<b>774</b>
<b>Cash basis fund balance - ending</b>	<b>\$ 292,983</b>	<b>\$ 5,680</b>	<b>\$ 41,953</b>	<b>\$ 29,820</b>	<b>\$ 5,082</b>	<b>\$ 100,834</b>	<b>\$ 774</b>
<b>Cash Basis Assets - December 31</b>							
Cash and cash equivalents	\$ 292,983	\$ 5,680	\$ 41,953	\$ 29,820	\$ 5,082	\$ 100,834	\$ 774
<b>Restricted assets:</b>							
Cash and cash equivalents	-	-	-	-	-	-	-
<b>Total cash basis assets - December 31</b>	<b>\$ 292,983</b>	<b>\$ 5,680</b>	<b>\$ 41,953</b>	<b>\$ 29,820</b>	<b>\$ 5,082</b>	<b>\$ 100,834</b>	<b>\$ 774</b>
<b>Cash Basis Fund Balance - December 31</b>							
<b>Restricted for:</b>							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	-	-	-	-	-
Unrestricted	292,983	5,680	41,953	29,820	5,082	100,834	774
<b>Total cash basis fund balance - December 31</b>	<b>\$ 292,983</b>	<b>\$ 5,680</b>	<b>\$ 41,953</b>	<b>\$ 29,820</b>	<b>\$ 5,082</b>	<b>\$ 100,834</b>	<b>\$ 774</b>

TOWN OF LOWELL  
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Police Grant	Law Enforcement Training	Clerk's Perpetual Fund	Donation	Park Bond	Cumulative Capital Improvement	Cumulative Capital Development
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,637
Licenses and permits	-	640	-	-	-	-	-
Intergovernmental	11,799	-	-	-	39,938	23,200	1,606
Charges for services	-	4,851	-	-	-	-	-
Fines and forfeits	-	-	1,731	-	-	-	-
Other	-	-	-	35,778	-	600	480
<b>Total receipts</b>	<b>11,799</b>	<b>5,491</b>	<b>1,731</b>	<b>35,778</b>	<b>39,938</b>	<b>23,800</b>	<b>68,723</b>
<b>Disbursements:</b>							
General government	-	-	2,830	40,086	-	-	-
Public safety	9,476	2,002	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
<b>Debt service:</b>							
<b>Principal</b>							
Culture and recreation	-	-	-	-	61,597	-	-
<b>Capital outlay:</b>							
General government	-	-	-	-	-	22,828	36,108
Public safety	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>9,476</b>	<b>2,002</b>	<b>2,830</b>	<b>40,086</b>	<b>61,597</b>	<b>22,828</b>	<b>36,108</b>
Excess (deficiency) of receipts over (under) disbursements	<u>2,323</u>	<u>3,489</u>	<u>(1,099)</u>	<u>(4,308)</u>	<u>(21,659)</u>	<u>972</u>	<u>32,615</u>
<b>Other financing sources (uses)</b>							
Tax anticipation warrants	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	100,000
Transfers in	-	-	-	-	20,531	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,531</u>	<u>-</u>	<u>100,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>2,323</u>	<u>3,489</u>	<u>(1,099)</u>	<u>(4,308)</u>	<u>(1,128)</u>	<u>972</u>	<u>132,615</u>
Cash basis fund balance - beginning	<u>1,501</u>	<u>6,147</u>	<u>17,345</u>	<u>17,519</u>	<u>61,897</u>	<u>88,272</u>	<u>31,514</u>
Cash basis fund balance - ending	<u>\$ 3,824</u>	<u>\$ 9,636</u>	<u>\$ 16,246</u>	<u>\$ 13,211</u>	<u>\$ 60,769</u>	<u>\$ 89,244</u>	<u>\$ 164,129</u>
<b>Cash Basis Assets - December 31</b>							
Cash and cash equivalents	\$ 3,824	\$ 9,636	\$ 16,246	\$ 13,211	\$ -	\$ -	\$ -
<b>Restricted assets:</b>							
Cash and cash equivalents	-	-	-	-	60,769	89,244	164,129
<b>Total cash basis assets - December 31</b>	<u>\$ 3,824</u>	<u>\$ 9,636</u>	<u>\$ 16,246</u>	<u>\$ 13,211</u>	<u>\$ 60,769</u>	<u>\$ 89,244</u>	<u>\$ 164,129</u>
<b>Cash Basis Fund Balance - December 31</b>							
<b>Restricted for:</b>							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 60,769	\$ -	\$ -
Other purposes	-	-	-	-	-	89,244	164,129
Unrestricted	<u>3,824</u>	<u>9,636</u>	<u>16,246</u>	<u>13,211</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total cash basis fund balance - December 31</b>	<u>\$ 3,824</u>	<u>\$ 9,636</u>	<u>\$ 16,246</u>	<u>\$ 13,211</u>	<u>\$ 60,769</u>	<u>\$ 89,244</u>	<u>\$ 164,129</u>

TOWN OF LOWELL  
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Park Non-Cap Improvement	Cumulative Building and Equipment	Cumulative Sewer	Gambling Revenue	Cumulative Economic Development	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ 55,819	\$ 84,811	\$ -	\$ -	\$ 438,770
Licenses and permits	-	-	-	-	-	990
Intergovernmental	-	1,345	2,045	97,204	5,400	336,300
Charges for services	-	-	-	-	-	380,076
Fines and forfeits	-	-	-	-	-	15,308
Other	-	-	-	-	-	49,562
<b>Total receipts</b>	<b>-</b>	<b>57,164</b>	<b>86,856</b>	<b>97,204</b>	<b>5,400</b>	<b>1,221,006</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	42,916
Public safety	-	-	-	-	-	23,067
Sanitation	-	-	-	-	-	330,388
Culture and recreation	-	-	-	-	-	319,300
Debt service:						
Principal						
Culture and recreation	-	-	-	-	-	61,597
Capital outlay:						
General government	-	-	4,724	41,349	4,750	109,759
Public safety	-	34,961	-	-	-	34,961
<b>Total disbursements</b>	<b>-</b>	<b>34,961</b>	<b>4,724</b>	<b>41,349</b>	<b>4,750</b>	<b>921,988</b>
Excess (deficiency) of receipts over (under) disbursements	-	22,203	82,132	55,855	650	299,018
<b>Other financing sources (uses)</b>						
Tax anticipation warrants	-	-	-	-	-	50,000
Interfund loans	40,000	-	-	283,000	-	453,000
Transfers in	-	-	-	-	-	20,531
Transfers out	-	-	-	(20,531)	-	(20,531)
<b>Total other financing sources (uses)</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>262,469</b>	<b>-</b>	<b>503,000</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	40,000	22,203	82,132	318,324	650	802,018
Cash basis fund balance - beginning	4,926	23,163	74,294	86,433	8,377	692,669
Cash basis fund balance - ending	\$ 44,926	\$ 45,366	\$ 156,426	\$ 404,757	\$ 9,027	\$ 1,494,687
<b>Cash Basis Assets - December 31</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 520,043
Restricted assets:						
Cash and cash equivalents	44,926	45,366	156,426	404,757	9,027	974,644
<b>Total cash basis assets - December 31</b>	<b>\$ 44,926</b>	<b>\$ 45,366</b>	<b>\$ 156,426</b>	<b>\$ 404,757</b>	<b>\$ 9,027</b>	<b>\$ 1,494,687</b>
<b>Cash Basis Fund Balance - December 31</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,769
Other purposes	44,926	45,366	156,426	404,757	9,027	913,875
Unrestricted	-	-	-	-	-	520,043
<b>Total cash basis fund balance - December 31</b>	<b>\$ 44,926</b>	<b>\$ 45,366</b>	<b>\$ 156,426</b>	<b>\$ 404,757</b>	<b>\$ 9,027</b>	<b>\$ 1,494,687</b>

TOWN OF LOWELL  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2005

	<u>Pension Trust</u>
Additions:	
Contributions:	
Employer	<u>\$ 41,348</u>
Deductions:	
Benefits	67,892
Administrative and general	<u>200</u>
Total deductions	<u>68,092</u>
Deficiency of total additions under total deductions	(26,744)
Cash and cash equivalents - beginning	<u>98,213</u>
Cash and cash equivalents - ending	<u><u>\$ 71,469</u></u>

TOWN OF LOWELL  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005

	<u>Payroll</u>	<u>Lowell Town Court</u>	<u>Cafeteria 125</u>	<u>Sidewalk and Yard Escrow</u>	<u>Total</u>
Additions:					
Agency fund additions	\$ 2,439,659	\$ 359,664	\$ 41,723	\$ 72,147	\$ 2,913,193
Deductions:					
Agency fund deductions	<u>2,439,432</u>	<u>369,972</u>	<u>41,723</u>	<u>33,500</u>	<u>2,884,627</u>
Excess (deficiency) of total additions over (under) total deductions	227	(10,308)	-	38,647	28,566
Cash and cash equivalents - beginning	<u>213</u>	<u>60,271</u>	<u>-</u>	<u>131,976</u>	<u>192,460</u>
Cash and cash equivalents - ending	<u>\$ 440</u>	<u>\$ 49,963</u>	<u>\$ -</u>	<u>\$ 170,623</u>	<u>\$ 221,026</u>

TOWN OF LOWELL  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2005

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 729,975
Infrastructure	585,893
Buildings	1,491,116
Improvements other than buildings	579,396
Machinery and equipment	<u>3,467,762</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,854,142</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 480,250
Capital assets, being depreciated:*	
Buildings	4,738,751
Improvements other than buildings	3,612,999
Machinery and equipment	<u>2,193,301</u>
Total Water Utility capital assets	<u>11,025,301</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	112,857
Construction in progress	6,828,446
Capital assets, being depreciated:*	
Buildings	90,131
Improvements other than buildings	14,661,932
Machinery and equipment	<u>914,631</u>
Total Wastewater Utility capital assets	<u>22,607,997</u>
Total business-type activities capital assets	<u>\$ 33,633,298</u>

\*The records of the enterprise fund include accumulated depreciation. The above amounts do not include accumulated depreciation.

TOWN OF LOWELL  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2005

CAPITAL LEASES

The Town of Lowell and its Utilities have entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Town:			
Machinery and Equipment	\$ 158,260	\$ 158,260	\$ 113,518
Water Utility:			
Machinery and Equipment	143,971	143,971	59,755
Wastewater Utility:			
Machinery and Equipment	23,034	23,034	23,034
Governmental activities:			
Bonds payable:			
General obligation bonds:			
2002 Park Bond	\$ 635,000	\$ 30,000	
Business-type activities:			
Water Utility			
Loans payable:			
FMHA loan	\$ 5,040,000	\$ 112,000	
Wastewater Utility			
Revenue bonds:			
1993 Wastewater Refunding Bond	1,080,000	-	
Loans payable:			
SRF loans	9,695,695	35,500	
	-	-	
Total Wastewater Utility	10,775,695	35,500	
Total business-type activities	\$ 15,815,695	\$ 147,500	

TOWN OF LOWELL  
AUDIT RESULTS AND COMMENTS

PARK CAPITAL ASSET DONATIONS

The park received various donations that included land, a park shelter, a refrigerator, and other items that were not included in the capital asset ledger.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger, City and Town Form 211, or properly approved form, as applicable. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FULL TIME EMPLOYEES

The Town's personnel policy defines a full time employee as "Any employee who works 35 hours or more per week in a position, which position will have a duration of at least 26 weeks and with which position no maximum time limit is associated." Benefits such as vacation, sick leave, personal leave, and medical insurance are eligible to all full-time employees.

The Chief of Police started to keep time sheets in December 2005. There was one incident where only 32.5 hours of total time (regular, sick, vacation, personal and holiday hours) were recorded for a week in December of 2005. In 2006, there were nine incidents where only 28 to 34.5 hours of total time were recorded for that week and none of the other weeks were over 40 hours. The Chief of Police receives vacation time, sick time, personal time and insurance coverage, even though he works less than 35 hours a week on numerous occasions.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF LOWELL, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Lowell (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 19, 2006

TOWN OF LOWELL  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Public Safety Partnership and Community Policing Grants	16.710		
Cops In School		2001SHWX0588	\$ <u>29,821</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety			
Operation Pullover	20.600		<u>820</u>
Safety Incentive Grants for Use of Seatbelts	20.604		<u>1,632</u>
Total for federal grantor agency			<u>2,452</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management			
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>2,753,916</u>
Total federal awards expended			<u>\$ <u>2,786,189</u></u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF LOWELL  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Lowell (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF LOWELL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF LOWELL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF LOWELL  
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2006, with Judith Walters, Clerk-Treasurer; and David Gard, President of the Town Council.