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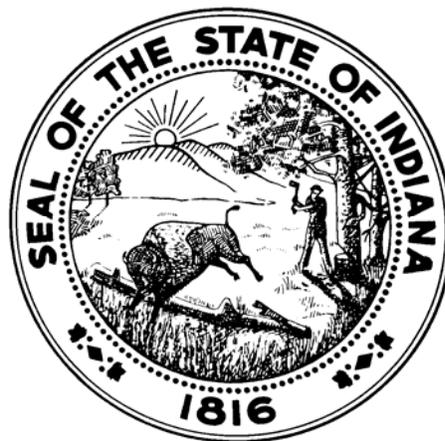
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

TOWN OF LOWELL

LAKE COUNTY, INDIANA



FILED

07/30/2007

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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 Phillip Kuiper	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Water Utility	Dan Myers	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Terry Wright	01-01-06 to 12-31-07



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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, 2006, 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 and investment 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 and investment 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, 2006, 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 (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, 2006, 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, 2006, 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 March 26, 2007, 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. 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 and 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 Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, 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

March 26, 2007



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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, 2006, and have issued our report thereon dated March 26, 2007. 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 that we have discussed with the management of the Town and its Utilities on March 26, 2007. 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)

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 March 26, 2007. 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

March 26, 2007

TOWN OF LOWELL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

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	\$ 967,908	\$ 331,805	\$ -	\$ -	\$ (636,103)	\$ -	\$ (636,103)
Public safety	1,738,571	13,682	26,833	18,167	(1,679,889)	-	(1,679,889)
Highways and streets	895,063	11,661	284,579	340,513	(258,310)	-	(258,310)
Sanitation	410,118	360,209	66,951	15,000	32,042	-	32,042
Culture and recreation	388,247	51,094	69,429	49,361	(218,363)	-	(218,363)
Total governmental activities	4,399,907	768,451	447,792	423,041	(2,760,623)	-	(2,760,623)
Business-type activities:							
Water	1,992,126	1,868,275	-	-	-	(123,851)	(123,851)
Wastewater	2,567,895	3,961,575	-	-	-	1,393,680	1,393,680
Total business-type activities	4,560,021	5,829,850	-	-	-	1,269,829	1,269,829
Total primary government	\$ 8,959,928	\$ 6,598,301	\$ 447,792	\$ 423,041	(2,760,623)	1,269,829	(1,490,794)
General receipts:							
Property taxes					3,089,687	-	3,089,687
Excise tax					158,930	-	158,930
FIT tax					20,547	-	20,547
Commercial vehicle excise tax					1,610	-	1,610
ABC excise tax					5,400	-	5,400
ABC gallonage tax					15,262	-	15,262
Cigarette tax					34,124	-	34,124
Refunds and reimbursements					1,929	-	1,929
Other local sources					22,326	-	22,326
Unrestricted investment earnings					45,349	62,140	107,489
Transfers - internal activities					(1,000,000)	1,000,000	-
Total general receipts and transfers					2,395,164	1,062,140	3,457,304
Change in net assets					(365,459)	2,331,969	1,966,510
Net assets - beginning					2,656,977	4,483,499	7,140,476
Net assets - ending					\$ 2,291,518	\$ 6,815,468	\$ 9,106,986
<u>Assets</u>							
Cash and investments					\$ 901,452	\$ 3,188,747	\$ 4,090,199
Restricted assets:							
Cash and investments					1,390,066	3,626,721	5,016,787
Total assets					\$ 2,291,518	\$ 6,815,468	\$ 9,106,986
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 23,422	\$ -	\$ 23,422
Debt service					59,641	1,379,004	1,438,645
Highways and streets					368,670	-	368,670
Other purposes					938,333	2,247,717	3,186,050
Unrestricted					901,452	3,188,747	4,090,199
Total net assets					\$ 2,291,518	\$ 6,815,468	\$ 9,106,986

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

TOWN OF LOWELL
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 2,393,017	\$ 275,005	\$ 421,665	\$ 3,089,687
Licenses and permits	197,838	-	2,010	199,848
Intergovernmental	188,068	299,401	573,148	1,060,617
Charges for services	77,610	-	417,560	495,170
Fines and forfeits	48,448	-	17,026	65,474
Other	60,982	7,402	55,268	123,652
	<u>2,965,963</u>	<u>581,808</u>	<u>1,486,677</u>	<u>5,034,448</u>
Total receipts				
Disbursements:				
General government	852,101	-	28,826	880,927
Public safety	1,573,451	-	37,868	1,611,319
Highways and streets	-	511,754	383,309	895,063
Sanitation	-	-	410,118	410,118
Culture and recreation	-	-	311,574	311,574
Debt service:				
Principal	-	-	30,000	30,000
Interest	-	-	30,169	30,169
Capital outlay:				
General government	-	-	86,981	86,981
Public safety	-	-	127,252	127,252
Culture and recreation	-	-	16,504	16,504
	<u>2,425,552</u>	<u>511,754</u>	<u>1,462,601</u>	<u>4,399,907</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>540,411</u>	<u>70,054</u>	<u>24,076</u>	<u>634,541</u>
Other financing sources (uses)				
Tax anticipation warrants received	150,000	-	52,972	202,972
Tax anticipation warrants repaid	(150,000)	-	(52,972)	(202,972)
Interfund loans sources	-	75,000	75,000	150,000
Interfund loans uses	(1,000,000)	(75,000)	(75,000)	(1,150,000)
Transfers in	-	-	56,680	56,680
Transfers out	-	-	(56,680)	(56,680)
	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>
Total other financing sources (uses)				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(459,589)</u>	<u>70,054</u>	<u>24,076</u>	<u>(365,459)</u>
Cash and investment fund balance - beginning	<u>1,002,486</u>	<u>116,966</u>	<u>1,494,687</u>	<u>2,614,139</u>
Cash and investment fund balance - ending	<u>\$ 542,897</u>	<u>\$ 187,020</u>	<u>\$ 1,518,763</u>	<u>2,248,680</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis 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 Activities and Net Assets - Cash and Investment Basis.				<u>42,838</u>
Net assets of governmental activities				<u>\$ 2,291,518</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 542,897	\$ -	\$ 315,717	\$ 858,614
Restricted assets:				
Cash and investments	-	187,020	1,203,046	1,390,066
Total cash and investment assets - December 31	<u>\$ 542,897</u>	<u>\$ 187,020</u>	<u>\$ 1,518,763</u>	<u>\$ 2,248,680</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Culture and recreation	\$ -	\$ -	\$ 23,422	\$ 23,422
Debt service	-	-	59,641	59,641
Highways and streets	-	187,020	181,650	368,670
Other purposes	-	-	938,333	938,333
Unrestricted	542,897	-	315,717	858,614
Total cash and investment fund balance - December 31	<u>\$ 542,897</u>	<u>\$ 187,020</u>	<u>\$ 1,518,763</u>	<u>\$ 2,248,680</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, 2006

<u>Assets</u>	<u>Business-Type Activities</u>		
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 241,270	\$ 2,947,477	\$ 3,188,747
Accounts receivable (net of allowance)	86,799	99,127	185,926
Inventories	67,690	39,676	107,366
Prepaid items	6,313	9,287	15,600
Total current assets	402,072	3,095,567	3,497,639
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Bond and interest	2,522	116,137	118,659
Improvement	645,059	1,369,869	2,014,928
Reserve	389,840	870,505	1,260,345
Operating reserve	-	88,500	88,500
Customer deposits	76,664	67,625	144,289
Total restricted assets	1,114,085	2,512,636	3,626,721
Deferred charges	71,455	114,458	185,913
Capital assets:			
Land, improvements to land and construction in progress	480,250	188,757	669,007
Other capital assets (net of accumulated depreciation)	7,608,969	14,725,264	22,334,233
Total capital assets	8,089,219	14,914,021	23,003,240
Total noncurrent assets	9,274,759	17,541,115	26,815,874
Total assets	9,676,831	20,636,682	30,313,513
Liabilities			
Current liabilities:			
Accounts payable	22,408	18,277	40,685
Accrued wages and withholdings payable	15,389	14,768	30,157
Taxes payable	4,906	-	4,906
Current liabilities payable from restricted assets:			
Customer deposits	76,664	67,625	144,289
Interest payable	2,868	-	2,868
Advances for construction	1,700	-	1,700
Capital lease obligation	59,290	-	59,290
Total current liabilities	183,225	100,670	283,895
Noncurrent liabilities:			
Compensated absences	19,197	22,674	41,871
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	793,673	793,673
Loans payable	4,810,000	10,559,685	15,369,685
Capital leases payable	24,926	-	24,926
Total noncurrent liabilities	4,854,123	11,376,032	16,230,155
Total liabilities	5,037,348	11,476,702	16,514,050
Net Assets			
Invested in capital assets, net of related debt	3,266,458	3,751,021	7,017,479
Restricted for debt service	392,362	986,642	1,379,004
Restricted for other purposes	721,723	1,525,994	2,247,717
Unrestricted	258,940	2,896,323	3,155,263
Total net assets	\$ 4,639,483	\$ 9,159,980	\$ 13,799,463

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, 2006

	Water Utility	Wastewater Utility	Total
Operating revenues:			
Unmetered water revenue	\$ 18,454	\$ -	\$ 18,454
Metered water revenue:			
Residential and commercial	1,350,059	-	1,350,059
Taps	160,070	708,110	868,180
Fire protection revenue	176,890	-	176,890
Penalties	14,460	44,460	58,920
Other water revenue	563	-	563
Measured revenue:			
Residential and commercial	-	1,793,449	1,793,449
Industrial	-	159,808	159,808
Other	-	1,037,079	1,037,079
	1,720,496	3,742,906	5,463,402
Operating expenses:			
Source of supply and expense - operations and maintenance	198,585	-	198,585
Water treatment expense - operations and maintenance	326,624	-	326,624
Transmission and distribution	338,914	-	338,914
Collection system - operations and maintenance	-	111,082	111,082
Treatment and disposal - operations and maintenance	-	685,316	685,316
Customer accounts	71,998	75,928	147,926
Administration and general	210,018	407,658	617,676
Depreciation	157,064	642,726	799,790
	1,303,203	1,922,710	3,225,913
Total operating expenses	1,303,203	1,922,710	3,225,913
Operating income	417,293	1,820,196	2,237,489
Nonoperating revenues (expenses):			
Interest and investment revenue	40,035	105,736	145,771
Miscellaneous revenue	9,285	70,725	80,010
Farm income	29,383	500	29,883
Cell tower rental	24,858	-	24,858
Interest on leases	(5,302)	(698)	(6,000)
Interest on revenue bonds	-	(65,860)	(65,860)
Interest on RECD loan	(257,300)	-	(257,300)
Interest on SRF loan	-	(375,539)	(375,539)
Interest on security deposits	-	(123)	(123)
Amortization of loan issue costs	-	(7,274)	(7,274)
Amortization of bond issue costs	(3,248)	(6,844)	(10,092)
Cedar Lake SRF payments	-	(74,806)	(74,806)
	(162,289)	(354,183)	(516,472)
Total nonoperating revenues (expenses)	(162,289)	(354,183)	(516,472)
Change in net assets	255,004	1,466,013	1,721,017
Total net assets - beginning	4,384,523	7,635,766	12,020,289
Prior period adjustments (Note III.D)	(44)	58,201	58,157
	4,384,479	7,693,967	12,078,446
Total restated net assets - beginning	4,384,479	7,693,967	12,078,446
Total net assets - ending	\$ 4,639,483	\$ 9,159,980	\$ 13,799,463

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, 2006

Net assets of business-type activities reported in the enterprise fund Statement of Net Assets	\$ 13,799,463
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.	(22,927,340)
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.	(75,900)
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.	16,230,155
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 enterprise fund statements.	<u>(210,910)</u>
Net assets of business-type activities reported in the government-wide financial statements	<u>\$ 6,815,468</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, 2006

	Water Utility	Wastewater Utility	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,758,350	\$ 4,853,134	\$ 6,611,484
Payments to suppliers and contractors	(496,535)	(682,298)	(1,178,833)
Payments to employees	(644,351)	(651,789)	(1,296,140)
Net cash provided by operating activities	<u>617,464</u>	<u>3,519,047</u>	<u>4,136,511</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(82,096)	(108,677)	(190,773)
Principal paid on revenue bonds	-	(275,000)	(275,000)
Principal paid on loans	(230,000)	(335,500)	(565,500)
Principal paid on capital lease obligations	(59,755)	(23,034)	(82,789)
Interest paid on revenue bonds	-	(65,860)	(65,860)
Interest paid on loans	(391,020)	(375,539)	(766,559)
Interest paid on capital lease obligations	(3,011)	(698)	(3,709)
Interest paid on security deposits	-	(123)	(123)
Net cash used by capital and related financing activities	<u>(765,882)</u>	<u>(1,184,431)</u>	<u>(1,950,313)</u>
Cash flows from investing activities:			
Interest received	<u>40,035</u>	<u>105,736</u>	<u>145,771</u>
Net increase (decrease) in cash and cash equivalents	(108,383)	2,440,352	2,331,969
Cash and cash equivalents, January 1	<u>1,463,738</u>	<u>3,019,761</u>	<u>4,483,499</u>
Cash and cash equivalents, December 31	<u>\$ 1,355,355</u>	<u>\$ 5,460,113</u>	<u>\$ 6,815,468</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 417,293</u>	<u>\$ 1,820,196</u>	<u>\$ 2,237,489</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	157,064	642,726	799,790
Nonoperating revenues	63,526	(3,581)	59,945
(Increase) decrease in assets:			
Accounts receivable	(25,672)	39,003	13,331
Interfund loans	-	1,000,000	1,000,000
Inventories	(3,572)	2,005	(1,567)
Prepaid items	5,263	7,610	12,873
Increase (decrease) in liabilities:			
Accounts payable	(1,517)	10,037	8,520
Accrued wages and withholdings payable	886	(2,165)	(1,279)
Taxes payable	(408)	-	(408)
Compensated absences	2,510	691	3,201
Customer deposits	2,091	2,525	4,616
Total adjustments	<u>200,171</u>	<u>1,698,851</u>	<u>1,899,022</u>
Net cash provided by operating activities	<u>\$ 617,464</u>	<u>\$ 3,519,047</u>	<u>\$ 4,136,511</u>
Noncash investing, capital and financing activities:			
Acquisition of capital assets through SRF loans payable	\$ -	\$ 1,199,490	\$ 1,199,490

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

TOWN OF LOWELL
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
INTERNAL SERVICE FUND
As of and for the Year Ended December 31, 2006

	Insurance Internal Service
Cash and investment fund balance - beginning	\$ 42,838
Cash and investment fund balance - ending	\$ 42,838
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 42,838
<u>Cash and Investment 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 AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	<u>Police Pension Trust Fund</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ 32,730	\$ -
State	<u>34,349</u>	<u>-</u>
Total contributions	<u>67,079</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>3,185,177</u>
Total additions	<u>67,079</u>	<u>3,185,177</u>
Deductions:		
Benefits	69,786	-
Administrative and general	200	-
Agency fund deductions	<u>-</u>	<u>3,033,904</u>
Total deductions	<u>69,986</u>	<u>3,033,904</u>
Excess (deficiency) of total additions over total deductions	(2,907)	151,273
Cash and investment fund balance - beginning	<u>71,469</u>	<u>221,026</u>
Cash and investment fund balance - ending	<u>\$ 68,562</u>	<u>\$ 372,299</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, represent all 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.

Jointly Governed Organization

The Town, in conjunction with Cedar Creek Township and West Creek Township has created the Freedom Park Board. The Town operates Freedom Park and maintains the accounting records.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays 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.

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, receipts, and disbursements. 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.

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 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.

Additionally, the Town reports the following fund types:

The internal service fund accounts for employee health insurance benefits provided to other departments on a cost-reimbursement basis. The fund is inactive.

The pension trust fund accounts for the activities of the 1925 police pension fund, which accumulates 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 funds, internal service fund and fiduciary funds financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment 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 cash and investment 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.

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The accounts of the business-type activity (enterprise funds) 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. The activity has been classified Class A or B, requiring full accrual accounting records by the National Association of Regulatory Utility Commissioners.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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.

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, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method in the enterprise funds.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the enterprise funds.

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 fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

For enterprise funds, capital assets, which include property, plant, and equipment, are reported in the statement of net assets.

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.

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Revenues and Expenses

Enterprise 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.

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 and Investment 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 and Investment 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 and Net Assets – Cash and Investment Basis.

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.

Prior to the first required publication, 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.

TOWN OF LOWELL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's 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. 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, 2006, were as follows:

Transfer From	Transfer To	2006
Other governmental	Other governmental	\$ 56,680

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Segment Information

The Town issued revenue bonds to finance the 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 and Investment Net Assets	
	2006
Cash and investment assets:	
Cash and investments	\$ 2,947,477
Restricted assets	2,512,636
Total cash and investment assets	\$ 5,460,113
Cash and investment net assets:	
Restricted for:	
Debt service	\$ 986,642
Other purposes	1,525,994
Unrestricted	2,947,477
Total cash and investment net assets	\$ 5,460,113

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Receipts, Disbursements and Changes in Cash and Investment Net Assets	
	2006
Receipts (pledged against bond)	\$ 3,508,224
Operating disbursements	<u>(1,383,464)</u>
Excess of receipts over disbursements	<u>2,124,760</u>
Nonoperating receipts (disbursements):	
Bond, loan, and capital lease principal	(633,534)
Interest received	105,736
Intergovernmental	394,287
Interest disbursed	(442,220)
Capital improvements	(108,677)
Temporary loan repayment	<u>1,000,000</u>
Total nonoperating receipts	<u>315,592</u>
Excess of receipts over disbursements and nonoperating receipts	2,440,352
Beginning cash and investment net assets	<u>3,019,761</u>
Ending cash and investment net assets	<u><u>\$ 5,460,113</u></u>

D. Restatements and Reclassifications

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town and its Utilities. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent old capital assets discovered during the current year and added to the capital assets listing, construction work in process that was a duplicate entry, and accounts receivable from 2004 and 2005 not previously reported or properly reported.

Opinion Unit	Balance as Reported December 31, 2005	Prior Period Adjustments	Balance as Restated January 1, 2006
Proprietary funds - enterprise funds:			
Water Utility	\$ 4,384,523	\$ (44)	\$ 4,384,479
Wastewater Utility	<u>7,635,766</u>	<u>58,201</u>	<u>7,693,967</u>
Total proprietary funds - enterprise funds	<u><u>\$ 12,020,289</u></u>	<u><u>\$ 58,157</u></u>	<u><u>\$ 12,078,446</u></u>

E. Capital Assets

Capital asset activity for the enterprise funds for the year ended December 31, 2006, was as follows:

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 480,250	\$ -	\$ -	\$ 480,250
Capital assets, being depreciated:				
Buildings	4,738,751	-	-	4,738,751
Improvements	3,611,956	82,096	-	3,694,052
Machinery and equipment	1,959,576	-	-	1,959,576
Transportation equipment	160,518	74,250	-	234,768
Totals	<u>10,470,801</u>	<u>156,346</u>	<u>-</u>	<u>10,627,147</u>
Less accumulated depreciation for:				
Buildings	1,324,249	71,081	-	1,395,330
Improvements	945,810	54,179	-	999,989
Machinery and equipment	548,725	29,396	-	578,121
Transportation equipment	42,330	2,408	-	44,738
Totals	<u>2,861,114</u>	<u>157,064</u>	<u>-</u>	<u>3,018,178</u>
Total capital assets, being depreciated, net	<u>7,609,687</u>	<u>(718)</u>	<u>-</u>	<u>7,608,969</u>
Total capital assets, net	<u>\$ 8,089,937</u>	<u>\$ (718)</u>	<u>\$ -</u>	<u>\$ 8,089,219</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 112,857	\$ -	\$ -	\$ 112,857
Construction in progress	6,772,217	1,275,389	7,971,706	75,900
Total capital assets, not being depreciated	<u>6,885,074</u>	<u>1,275,389</u>	<u>7,971,706</u>	<u>188,757</u>
Capital assets, being depreciated:				
Buildings	90,131	2,202,821	-	2,292,952
Improvements	14,747,600	5,819,224	42,821	20,524,003
Machinery and equipment	700,018	25,259	-	725,277
Transportation equipment	203,964	-	-	203,964
Totals	<u>15,741,713</u>	<u>8,047,304</u>	<u>42,821</u>	<u>23,746,196</u>
Less accumulated depreciation for:				
Buildings	46,595	30,324	-	76,919
Improvements	7,743,139	502,402	-	8,245,541
Machinery and equipment	424,497	69,207	-	493,704
Transportation equipment	163,975	40,793	-	204,768
Totals	<u>8,378,206</u>	<u>642,726</u>	<u>-</u>	<u>9,020,932</u>
Total capital assets, being depreciated, net	<u>7,363,507</u>	<u>7,404,578</u>	<u>42,821</u>	<u>14,725,264</u>
Total capital assets, net	<u>\$ 14,248,581</u>	<u>\$ 8,679,967</u>	<u>\$ 8,014,527</u>	<u>\$ 14,914,021</u>

The Wastewater Utility beginning balance has been adjusted for the additions found in 2006 that pertain to prior years. Improvements increased by \$44,097 and machinery and equipment increased by \$30,922, totaling \$75,019.

The Wastewater Utility had a transfer of \$42,821 during 2006 from Improvement to Buildings.

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Long-Term Debt

Capital Leases

The Water Utility has entered into various capital leases for a truck, van, and CO2 water system. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2006, are as follows:

2007	\$	62,765
2008		<u>26,070</u>
Total minimum lease payments		88,835
Less amount representing interest		<u>4,619</u>
Present value of net minimum lease payments		<u><u>\$ 84,216</u></u>

Revenue Bonds

The Water Utility and Wastewater Utility issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Water Utility 1994 FMHA Loan	5.3%	\$ 4,810,000
Wastewater Utility 1993 Refunding Bonds	6.10% to 6.15%	805,000

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2007	\$ -	\$ 126,262	\$ -	\$ 24,680
2008	124,000	249,270	295,000	40,363
2009	130,000	242,603	310,000	21,832
2010	137,000	235,594	200,000	6,150
2011	145,000	228,191	-	-
2012-2016	844,000	1,015,718	-	-
2017-2021	1,091,000	763,061	-	-
2022-2026	1,409,000	436,564	-	-
2021-2029	<u>930,000</u>	<u>69,509</u>	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 4,810,000</u></u>	<u><u>\$ 3,366,772</u></u>	<u><u>\$ 805,000</u></u>	<u><u>\$ 93,025</u></u>

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

State Revolving Loans (SRF)

The Wastewater Utility has entered into various state revolving loans. Annual debt service requirements to maturity for the loans, including interest of \$991,603, are as follows:

2007	\$	148,131
2008		146,747
2009		275,362
2010		299,908
2011		303,244
2012-2016		1,510,379
2017-2020		<u>1,195,811</u>
Total minimum lease payments		3,879,582
Less amount representing interest		<u>(991,603)</u>
Present value of net minimum lease payments		<u>\$ 2,887,979</u>

The Wastewater Utility has another SRF loan that is in the construction phase. A breakdown of principal and interest has not been computed at this time. See Note IV.E for further information.

Changes in Long-Term Liability

Long-term liability activity for the year ended December 31, 2006, was a follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 5,040,000	\$ -	\$ 230,000	\$ 4,810,000	\$ -
Wastewater Utility	<u>1,080,000</u>	<u>-</u>	<u>275,000</u>	<u>805,000</u>	<u>-</u>
Total revenue bonds payable	<u>6,120,000</u>	<u>-</u>	<u>505,000</u>	<u>5,615,000</u>	<u>-</u>
State revolving fund loans payable:					
Wastewater Utility	<u>9,695,695</u>	<u>1,199,490</u>	<u>335,500</u>	<u>10,559,685</u>	<u>-</u>
Total long-term liabilities	<u>\$ 15,815,695</u>	<u>\$ 1,199,490</u>	<u>\$ 840,500</u>	<u>\$ 16,174,685</u>	<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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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.

Job Related Illnesses or Injuries to Employees

During 2005, the Town joined with other governmental entities in the Indiana Public Employers' Plan (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of worker compensation. The Town pays an annual premium to the risk pool for its worker compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

The Town does have an Insurance Internal Service Fund that had no activity during 2006.

B. Tax Rates and Levies

Property tax rates and levies for 2004 taxes payable in 2005 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 2005 property tax rates and levies were not established until October 2004; thus, the property taxes were not billed or collected timely. The final settlement of the 2004 taxes payable in 2005 was distributed to the various governmental entities in March 2006.

Property tax rates and levies for 2005 taxes payable in 2006 were not established by February 15, 2005, as required by state statute due to the delay in the completion of the reassessment of Lake County. The tax bills were mailed to Lake County residents in August 2006. They were due in two installments on August 29, 2006, and November 14, 2006. The final settlement of the 2005 taxes payable in 2006 was distributed to the various governmental entities on January 4, 2007.

C. Circuit Breaker Agreement

In 2004, the State of Indiana 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.

D. Subsequent Events

In February 2007, construction began on the east side water loop project, a partially federal funded project. The federal portion is \$317,000 of an estimated total cost of \$375,000.

Property tax rates and levies for 2006 taxes payable in 2007 were not established by February 15, 2006, as required by state statute due to the delay in the completion of the reassessment of Lake County. The tax bills are not expected to be mailed on time to Lake County residents during 2007.

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2006, the Town has drawn down \$7,971,705.

F. Rate Structure – Enterprise Funds

Water Utility

On September 14, 1999, the Town Council adopted Ordinance No. 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.

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

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 fund.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 87,930	\$ 183,000
Interest on net pension obligation	479	51,000
Adjustment to annual required contribution	<u>(546)</u>	<u>(89,100)</u>
Annual pension cost	87,863	144,900
Contributions made	<u>68,864</u>	<u>36,282</u>
Increase in net pension obligation	18,999	108,618
Net pension obligation, beginning of year	<u>6,604</u>	<u>755,462</u>
Net pension obligation, end of year	<u>\$ 25,603</u>	<u>\$ 864,080</u>

TOWN OF LOWELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension
Contribution rates:		
Town	5%	N/A
Plan members	3%	N/A
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

Actuarial Assumptions

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	12-31-02	160,600	67%	696,445
	12-31-03	146,900	60%	755,462
	12-31-04	144,900	25%	864,080

TOWN OF LOWELL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Membership in the 1925 Police Officers' Pension Plan at January 1, 2006, was comprised of the following:

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

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town 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.

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 Town 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 Town are established by the Board of Trustees of PERF. The Town's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$152,318, \$146,353, and \$159,055, 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)	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	98,213	1,500,200	(1,401,987)	7%	*	*

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
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		Town	State
12-31-99	\$ 160,000	69%	17%
12-31-00	171,700	52%	17%
12-31-01	178,700	17%	48%
12-31-02	186,700	32%	26%
12-31-03	178,300	24%	25%
12-31-04	183,000	2%	18%

TOWN OF LOWELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Local Road and Street	Park and Recreation	Freedom Park Nonreverting	Adult Probation	Park Gift	Solid Waste	Abandoned Vehicles
Receipts:							
Taxes	\$ -	\$ 251,305	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	300	-
Intergovernmental	91,403	12,770	34,000	-	-	81,951	-
Charges for services	-	48,842	2,252	-	-	359,909	-
Fines and forfeits	-	-	-	13,952	-	-	-
Other	-	1,778	5,712	-	10,225	-	-
Total receipts	91,403	314,695	41,964	13,952	10,225	442,160	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	18,298	-	-	-
Highways and streets	383,309	-	-	-	-	-	-
Sanitation	-	-	-	-	-	410,118	-
Culture and recreation	-	244,037	59,855	-	7,682	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	383,309	244,037	59,855	18,298	7,682	410,118	-
Excess (deficiency) of receipts over disbursements	(291,906)	70,658	(17,891)	(4,346)	2,543	32,042	-
Other financing sources (uses)							
Tax anticipation warrants received	-	52,972	-	-	-	-	-
Tax anticipation warrants repaid	-	(52,972)	-	-	-	-	-
Interfund loans sources	-	-	-	-	-	-	-
Interfund loans uses	-	-	-	-	-	-	-
Transfers in	-	-	21,000	-	-	-	-
Transfers out	-	(16,000)	-	-	-	-	-
Total other financing sources (uses)	-	(16,000)	21,000	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(291,906)	54,658	3,109	(4,346)	2,543	32,042	-
Cash and investment fund balance - beginning	292,983	5,680	41,953	29,820	5,082	100,834	774
Cash and investment fund balance - ending	\$ 1,077	\$ 60,338	\$ 45,062	\$ 25,474	\$ 7,625	\$ 132,876	\$ 774
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ 60,338	\$ 45,062	\$ 25,474	\$ 7,625	\$ 132,876	\$ 774
Restricted assets:							
Cash and investments	1,077	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ 1,077	\$ 60,338	\$ 45,062	\$ 25,474	\$ 7,625	\$ 132,876	\$ 774
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Highways and streets	1,077	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	60,338	45,062	25,474	7,625	132,876	774
Total cash and investment fund balance - December 31	\$ 1,077	\$ 60,338	\$ 45,062	\$ 25,474	\$ 7,625	\$ 132,876	\$ 774

TOWN OF LOWELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Police Grant	Law Enforcement Continuing Education	Clerk's Record Perpetuation	Donation	Park Debt	Cumulative Capital Improvement	Cumulative Capital Development
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,771
Licenses and permits	-	1,710	-	-	-	-	-
Intergovernmental	12,012	-	-	-	39,361	26,812	13,570
Charges for services	-	4,657	-	-	-	-	-
Fines and forfeits	-	1,015	2,059	-	-	-	-
Other	-	-	-	27,594	-	600	500
Total receipts	12,012	7,382	2,059	27,594	39,361	27,412	68,841
Disbursements:							
General government	-	-	2,607	26,219	-	-	-
Public safety	15,319	4,251	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	30,000	-	-
Interest	-	-	-	-	30,169	-	-
Capital outlay:							
General government	-	-	-	-	-	58,584	-
Public safety	-	-	-	-	-	-	93,069
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	15,319	4,251	2,607	26,219	60,169	58,584	93,069
Excess (deficiency) of receipts over disbursements	(3,307)	3,131	(548)	1,375	(20,808)	(31,172)	(24,228)
Other financing sources (uses)							
Tax anticipation warrants received	-	-	-	-	-	-	-
Tax anticipation warrants repaid	-	-	-	-	-	-	-
Interfund loans sources	-	-	-	-	-	-	-
Interfund loans uses	-	-	-	-	-	-	-
Transfers in	-	-	-	-	19,680	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	19,680	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,307)	3,131	(548)	1,375	(1,128)	(31,172)	(24,228)
Cash and investment fund balance - beginning	3,824	9,636	16,246	13,211	60,769	89,244	164,129
Cash and investment fund balance - ending	\$ 517	\$ 12,767	\$ 15,698	\$ 14,586	\$ 59,641	\$ 58,072	\$ 139,901
Cash and Investment Assets - December 31							
Cash and investments	\$ 517	\$ 12,767	\$ 15,698	\$ 14,586	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	59,641	58,072	139,901
Total cash and investment assets - December 31	\$ 517	\$ 12,767	\$ 15,698	\$ 14,586	\$ 59,641	\$ 58,072	\$ 139,901
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	59,641	-	-
Highways and streets	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	58,072	139,901
Unrestricted	517	12,767	15,698	14,586	-	-	-
Total cash and investment fund balance - December 31	\$ 517	\$ 12,767	\$ 15,698	\$ 14,586	\$ 59,641	\$ 58,072	\$ 139,901

TOWN OF LOWELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Park Capital Improvement	Cumulative Building and Equipment	Cumulative Sewer	Gambling Revenue	Cumulative Economic Development	Major Moves Construction	Totals
Receipts:							
Taxes	\$ -	\$ 45,880	\$ 69,709	\$ -	\$ -	\$ -	\$ 421,665
Licenses and permits	-	-	-	-	-	-	2,010
Intergovernmental	-	2,683	4,076	70,646	5,400	178,464	573,148
Charges for services	-	1,900	-	-	-	-	417,560
Fines and forfeits	-	-	-	-	-	-	17,026
Other	-	6,750	-	-	-	2,109	55,268
Total receipts	-	57,213	73,785	70,646	5,400	180,573	1,486,677
Disbursements:							
General government	-	-	-	-	-	-	28,826
Public safety	-	-	-	-	-	-	37,868
Highways and streets	-	-	-	-	-	-	383,309
Sanitation	-	-	-	-	-	-	410,118
Culture and recreation	-	-	-	-	-	-	311,574
Debt service:							
Principal	-	-	-	-	-	-	30,000
Interest	-	-	-	-	-	-	30,169
Capital outlay:							
General government	-	-	15,000	7,409	5,988	-	86,981
Public safety	-	34,183	-	-	-	-	127,252
Culture and recreation	16,504	-	-	-	-	-	16,504
Total disbursements	16,504	34,183	15,000	7,409	5,988	-	1,462,601
Excess (deficiency) of receipts over disbursements	(16,504)	23,030	58,785	63,237	(588)	180,573	24,076
Other financing sources (uses)							
Tax anticipation warrants received	-	-	-	-	-	-	52,972
Tax anticipation warrants repaid	-	-	-	-	-	-	(52,972)
Interfund loans sources	-	-	-	75,000	-	-	75,000
Interfund loans uses	-	-	-	(75,000)	-	-	(75,000)
Transfers in	16,000	-	-	-	-	-	56,680
Transfers out	(21,000)	-	-	(19,680)	-	-	(56,680)
Total other financing sources (uses)	(5,000)	-	-	(19,680)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(21,504)	23,030	58,785	43,557	(588)	180,573	24,076
Cash and investment fund balance - beginning	44,926	45,366	156,426	404,757	9,027	-	1,494,687
Cash and investment fund balance - ending	\$ 23,422	\$ 68,396	\$ 215,211	\$ 448,314	\$ 8,439	\$ 180,573	\$ 1,518,763
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315,717
Restricted assets:							
Cash and investments	23,422	68,396	215,211	448,314	8,439	180,573	1,203,046
Total cash and investment assets - December 31	\$ 23,422	\$ 68,396	\$ 215,211	\$ 448,314	\$ 8,439	\$ 180,573	\$ 1,518,763
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ 23,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,422
Debt service	-	-	-	-	-	-	59,641
Highways and streets	-	-	-	-	-	180,573	181,650
Other purposes	-	68,396	215,211	448,314	8,439	-	938,333
Unrestricted	-	-	-	-	-	-	315,717
Total cash and investment fund balance - December 31	\$ 23,422	\$ 68,396	\$ 215,211	\$ 448,314	\$ 8,439	\$ 180,573	\$ 1,518,763

TOWN OF LOWELL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Cafeteria Plan Section 125</u>	<u>Sidewalk and Yard Escrow</u>	<u>Lowell Town Court</u>	<u>Total</u>
Additions:					
Agency fund additions	<u>\$ 2,534,037</u>	<u>\$ 48,356</u>	<u>\$ 187,307</u>	<u>\$ 415,477</u>	<u>\$ 3,185,177</u>
Deductions:					
Agency fund deductions	<u>2,534,037</u>	<u>48,356</u>	<u>51,500</u>	<u>400,011</u>	<u>3,033,904</u>
Excess of total additions over total deductions	-	-	135,807	15,466	151,273
Cash and investment fund balance - beginning	<u>440</u>	-	<u>170,623</u>	<u>49,963</u>	<u>221,026</u>
Cash and investment fund balance - ending	<u>\$ 440</u>	<u>\$ -</u>	<u>\$ 306,430</u>	<u>\$ 65,429</u>	<u>\$ 372,299</u>

TOWN OF LOWELL
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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	\$ 825,775
Infrastructure	966,489
Buildings	1,634,818
Improvements other than buildings	601,051
Machinery and equipment	3,503,698
Total governmental activities, capital assets not being depreciated	\$ 7,531,831

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated*:	
Land	\$ 480,250
Buildings	4,738,751
Improvements other than buildings	3,694,052
Machinery and equipment	2,194,344
Total Water Utility capital assets	11,107,397
Wastewater Utility:	
Capital assets, not being depreciated*:	
Land	112,857
Construction in progress	75,900
Buildings	2,292,952
Improvements other than buildings	20,524,003
Machinery and equipment	929,241
Total Wastewater Utility capital assets	23,934,953
Total business-type activities capital assets	\$ 35,042,350

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

TOWN OF LOWELL
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Town:		
Capital leases:		
2005 lease of one building truck	\$ 5,164	\$ 5,164
2005 lease of two police cars	4,629	4,629
Combined lease for fire truck, backhoe, car, and park truck	26,945	26,945
Bonds payable:		
General obligation bonds:		
2002 Park Bond	<u>605,000</u>	<u>30,000</u>
Total governmental activities long-term debt	<u>\$ 641,738</u>	<u>\$ 66,738</u>
Business-type Activities:		
Water Utility		
Capital leases		
Truck and van	\$ 48,758	\$ 23,832
CO2 water system	35,458	35,458
Revenue bonds:		
FMHA Loan	<u>4,810,000</u>	<u>-</u>
Total Water Utility	<u>4,894,216</u>	<u>59,290</u>
Wastewater Utility		
Revenue bonds:		
1993 Wastewater Refunding Bonds	805,000	-
State revolving loans (SRF):		
CS18224801	2,126,000	-
CS18224802	761,979	-
CS18236701	<u>7,971,705</u>	<u>-</u>
Total Wastewater Utility	<u>11,664,684</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 16,558,900</u>	<u>\$ 59,290</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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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, 2006. 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, 2006.

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

March 26, 2007

TOWN OF LOWELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

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 THE INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources Outdoor Recreation - Acquisition, Development and Planning	15.916		\$ <u>10,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant Bulletproof Vest Partnership Program	16.607		<u>5,040</u>
Direct Grant National Evaluation of the Safe Schools - Healthy Students Initiative	16.732		<u>12,833</u>
Total for federal grantor agency			<u>17,873</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Safety Incentive Grants for Use of Seatbelts Operation Pullover	20.604	PT-06-04-07-33	6,137
Operation Pullover		PT-07	<u>489</u>
Total for federal grantor agency			<u>6,626</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	CS 18236701	<u>528,255</u>
Total federal awards expended			<u>\$ <u>562,754</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

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
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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 March 26, 2007, with Judith Walters, Clerk-Treasurer; and Phillip Kuiper, President of the Town Council. Our audit disclosed no material items that warrant comment at this time.