

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

EXAMINATION REPORT  
OF  
TOWN OF LOWELL  
LAKE COUNTY, INDIANA  
January 1, 2007 to December 31, 2007



**FILED**  
05/12/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Walters	01-01-04 to 12-31-11
President of the Town Council	Phillip Kuiper	01-01-07 to 12-31-08
Water Utility Superintendent	Dan Myers	01-01-07 to 12-31-08
Wastewater Utility Superintendent	Terry Wright	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Lowell (Town), for the period of January 1, 2007 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 27, 2008

TOWN OF LOWELL  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 542,897	\$ 1,915,208	\$ 2,333,357	\$ 124,748
Motor Vehicle Highway	187,020	836,358	798,676	224,702
Local Road and Street	1,077	93,009	60,517	33,569
Park and Recreation	60,338	296,147	315,725	40,760
Law Enforcement Continuing Education	12,767	12,740	2,794	22,713
Riverboat	448,314	147,490	112,898	482,906
Freedom Park Nonreverting	45,062	35,973	52,357	28,678
Adult Probation	25,474	24,744	22,950	27,268
Park Gift	7,625	3,651	2,191	9,085
Solid Waste	132,876	420,110	452,817	100,169
Abandoned Vehicles	774	-	-	774
Police Grant	517	16,234	12,803	3,948
Clerk's Record Perpetuation	15,698	2,496	12,325	5,869
Donation	14,586	27,436	26,436	15,586
Park Debt	59,641	57,613	58,741	58,513
Cumulative Economic Development	8,439	5,400	6,644	7,195
Major Moves Construction	180,573	7,144	178,445	9,272
Cumulative Capital Improvement	58,072	27,010	17,292	67,790
Cumulative Capital Development	139,901	18,144	39,681	118,364
Park Capital Improvement	23,422	-	20,768	2,654
Cumulative Building and Equipment	68,396	15,335	57,461	26,270
Cumulative Sewer	215,211	25,175	11,264	229,122
Proprietary Funds:				
Water Utility - Operating	241,270	2,246,565	2,380,828	107,007
Water Utility - Bond and Interest	2,522	716,214	712,525	6,211
Water Utility - Debt Reserve	389,840	385,043	380,985	393,898
Water Utility - Customer Deposit	76,664	296,254	294,328	78,590
Water Utility - Improvement	645,059	1,890,406	2,056,017	479,448
Wastewater Utility - Operating	2,947,477	5,036,630	6,952,943	1,031,164
Wastewater Utility - Operating Reserve	88,500	354,000	354,000	88,500
Wastewater Utility - Bond and Interest	116,137	1,357,192	1,383,731	89,598
Wastewater Utility - Debt Reserve	870,505	1,744,517	1,684,000	931,022
Wastewater Utility - Customer Deposit	67,625	267,575	265,475	69,725
Wastewater Utility - Improvement	1,369,869	13,096,704	11,494,510	2,972,063
Internal Service-Insurance	42,838	-	2,700	40,138
Fiduciary Funds:				
Police Officers' Pension	68,562	56,168	75,764	48,966
Payroll	440	2,672,590	2,672,259	771
Cafeteria Plan Section 125	-	51,291	51,183	108
Sidewalk and Yard Escrow	306,430	32,000	168,307	170,123
Town Court	65,429	506,425	499,164	72,690
Totals	<u>\$ 9,547,847</u>	<u>\$ 34,696,991</u>	<u>\$ 36,024,861</u>	<u>\$ 8,219,977</u>

The accompanying notes are an integral part of the financial information.

TOWN OF LOWELL  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, planning and zoning, general administrative, water utility, and wastewater utility services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF LOWELL  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plans

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

1. 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.

2. 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 INFORMATION  
(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 use of the pay-as-you-go actuarial cost method by the Town results in significant underfunding of the plan.

B. 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.

Note 7. Wastewater Utility

The Towns of Lowell and Cedar Lake share equally in the usage and cost of the Lowell Wastewater Treatment Plant. Annually, the Town of Lowell hires a CPA firm to determine the percentage of each Town's usage. All operations and expenses of the plant are borne by the Town of Lowell. The Town of Cedar Lake makes monthly payments toward the operating costs, and pays one-half of all long-term debt of the Utility.

TOWN OF LOWELL  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 8. Joint Park Operation

The Town, in conjunction with Cedar Creek and West Creek Townships, created the Freedom Park Board, which oversees Freedom Park. The Town operates Freedom Park and maintains the accounting records. The three entities share equally in the operating costs through the Freedom Park Nonreverting Fund. The Town's general obligation bond issue was used to improve this park. The debt service payments are shared equally by the three entities.

Note 9. Subsequent Event

Property Taxes

Due to the delays in the general property reassessment, the property taxes for 2006 payable in 2007 were delayed. The property taxes were billed in one installment due January 31, 2008. County Officials expect the property tax distribution to be in early March 2008.

TOWN OF LOWELL  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For the Year Ended December 31, 2007

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	2,856,244
Buildings	1,634,818
Improvements other than buildings	654,019
Machinery and equipment	<u>3,398,674</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 9,369,530</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 480,250
Buildings	4,838,949
Improvements other than buildings	3,743,573
Machinery and equipment	<u>1,695,050</u>
 Total Water Utility capital assets	 <u>10,757,822</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	112,857
Construction in progress	75,910
Buildings	2,296,835
Improvements other than buildings	20,801,348
Machinery and equipment	<u>969,915</u>
 Total Wastewater Utility capital assets	 <u>24,256,865</u>
 Total business-type activities capital assets	 <u>\$ 35,014,687</u>

TOWN OF LOWELL  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental Activities:</b>		
Capital leases:		
2007 Park Truck	\$ 25,416	\$ 7,535
2008 MVH Trucks	120,036	35,587
Bonds payable:		
General obligation bond:		
2002 Park Bonds	<u>575,000</u>	<u>57,013</u>
<b>Total governmental activities debt</b>	<u><u>\$ 720,452</u></u>	<u><u>\$ 100,135</u></u>
<b>Business-type Activities:</b>		
Water Utility		
Capital lease:		
Truck	\$ 24,926	\$ 24,926
Revenue bond:		
FMHA Loan	<u>4,686,000</u>	<u>376,015</u>
<b>Total Water Utility</b>	<u>4,710,926</u>	<u>400,941</u>
Wastewater Utility		
Revenue bond:		
1993 Wastewater Refunding Bonds	510,000	341,365
State Revolving Loans:		
CS18224801	2,126,000	116,549
CS18224802	761,979	30,198
CS18236701	<u>7,652,151</u>	<u>568,234</u>
<b>Total Wastewater Utility</b>	<u>11,050,130</u>	<u>1,056,346</u>
<b>Total business-type activities debt</b>	<u><u>\$ 15,761,056</u></u>	<u><u>\$ 1,457,287</u></u>

TOWN OF LOWELL  
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2008, with Judith Walters, Clerk-Treasurer; and Phillip Kuiper, President of the Town Council. Our examination disclosed no material items that warrant comment at this time.