

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, 2008 to December 31, 2009



FILED
11/19/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4-5
Notes to Financial Information	6-10
Supplementary Information:	
Schedule of Capital Assets.....	11
Schedule of Long-Term Debt	12
Exit Conference.....	13

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Walters	01-01-08 to 12-31-11
President of the Town Council	Phillip Kuiper	01-01-08 to 12-31-10
Water Utility Superintendent	Dan Myers	01-01-08 to 12-31-10
Wastewater Utility Superintendent	Terry Wright	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2008 to December 31, 2009. 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 years ended December 31, 2008 and 2009, 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

September 13, 2010

TOWN OF LOWELL
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 124,748	\$ 4,215,679	\$ 4,138,031	\$ 202,396
Motor Vehicle Highway	224,702	1,250,399	1,224,193	250,908
Local Road and Street	33,569	85,719	34,728	84,560
Park and Recreation	40,760	537,711	476,453	102,018
Law Enforcement Continuing Education	22,713	19,007	14,392	27,328
Riverboat	482,906	825,620	715,518	593,008
Freedom Park Nonreverting	28,678	27,665	33,580	22,763
Adult Probation	27,268	20,796	27,093	20,971
Park Gift	9,085	17,597	14,820	11,862
Solid Waste	100,169	541,831	500,584	141,416
Abandoned Vehicles	774	-	-	774
Police Grant	3,948	7,517	7,174	4,291
Clerk's Record Perpetuation	5,869	2,809	6,103	2,575
Donation	15,586	31,686	26,931	20,341
Park Debt	58,513	56,185	56,185	58,513
Cumulative Economic Development	7,195	4,965	5,918	6,242
Major Moves Construction	9,272	-	-	9,272
Cumulative Capital Improvement	67,790	25,007	31,047	61,750
Cumulative Capital Development	118,364	216,643	211,258	123,749
Park Capital Improvement	2,654	16,480	14,590	4,544
Cumulative Building and Equipment	26,270	55,509	30,000	51,779
Cumulative Sewer	229,122	277,161	249,075	257,208
Proprietary Funds:				
Water Utility - Operating	107,007	1,756,758	1,742,364	121,401
Water Utility - Bond and Interest	6,211	377,656	376,015	7,852
Water Utility - Debt Reserve	393,898	10,930	16,082	388,746
Water Utility - Customer Deposit	78,590	7,257	5,993	79,854
Water Utility - Improvement	479,448	203,485	29,570	653,363
Wastewater Utility - Operating	1,031,164	2,972,027	2,782,151	1,221,040
Wastewater Utility - Operating Reserve	88,500	-	-	88,500
Wastewater Utility - Bond and Interest	89,598	1,105,578	1,064,696	130,480
Wastewater Utility - Debt Reserve	931,022	60,518	-	991,540
Wastewater Utility - Customer Deposit	69,725	6,725	5,375	71,075
Wastewater Utility - Improvement	2,972,063	1,868,847	1,000,000	3,840,910
Internal Service - Insurance	40,138	-	6,829	33,309
Fiduciary Funds:				
Police Officers' Pension	48,966	118,161	82,809	84,318
Payroll	771	2,876,805	2,876,712	864
Cafeteria Plan Section 125	108	52,833	52,941	-
Sidewalk and Yard Escrow	170,123	163,963	285,516	48,570
Town Court	72,690	464,718	468,943	68,465
Totals	<u>\$ 8,219,977</u>	<u>\$ 20,282,247</u>	<u>\$ 18,613,669</u>	<u>\$ 9,888,555</u>

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

TOWN OF LOWELL
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 202,396	\$ 4,273,457	\$ 3,843,359	\$ 632,494
Motor Vehicle Highway	250,908	892,626	930,463	213,071
Local Road and Street	84,560	630,150	491,356	223,354
Park and Recreation	102,018	378,987	460,566	20,439
Law Enforcement Continuing Education	27,328	16,626	7,302	36,652
Riverboat	593,008	597,592	534,190	656,410
Freedom Park Nonreverting	22,763	22,952	26,231	19,484
Adult Probation	20,971	15,759	22,073	14,657
Park Gift	11,862	11,883	17,767	5,978
Solid Waste	141,416	572,484	587,410	126,490
Abandoned Vehicles	774	-	-	774
Police Grant	4,291	7,781	7,781	4,291
Clerk's Record Perpetuation	2,575	4,093	688	5,980
Donation	20,341	26,224	29,735	16,830
Park Debt	58,513	54,757	55,885	57,385
Cumulative Economic Development	6,242	4,773	5,400	5,615
Major Moves Construction	9,272	-	-	9,272
Cumulative Capital Improvement	61,750	23,013	-	84,763
Cumulative Capital Development	123,749	49,961	10,354	163,356
Park Capital Improvement	4,544	16,975	-	21,519
Public Safety	-	48,408	-	48,408
Cumulative Building and Equipment	51,779	44,213	30,000	65,992
Cumulative Sewer	257,208	77,283	109,121	225,370
Unclaimed Property	-	255	-	255
Proprietary Funds:				
Water Utility - Operating	121,401	2,000,296	1,992,100	129,597
Water Utility - Bond and Interest	7,852	376,415	376,190	8,077
Water Utility - Debt Reserve	388,746	2,775	10,930	380,591
Water Utility - Customer Deposit	79,854	7,694	5,702	81,846
Water Utility - Improvement	653,363	139,399	329,256	463,506
Wastewater Utility - Operating	1,221,040	2,404,402	2,651,736	973,706
Wastewater Utility - Operating Reserve	88,500	-	-	88,500
Wastewater Utility - Bond and Interest	130,480	963,052	959,008	134,524
Wastewater Utility - Debt Reserve	991,540	60,517	-	1,052,057
Wastewater Utility - Customer Deposit	71,075	7,125	4,900	73,300
Wastewater Utility - Improvement	3,840,910	1,310,971	2,087,477	3,064,404
Internal Service - Insurance	33,309	-	2,145	31,164
Fiduciary Funds:				
Police Officers' Pension	84,318	128,077	85,040	127,355
Payroll	864	3,118,827	3,118,825	866
Cafeteria Plan Section 125	-	58,866	58,815	51
Sidewalk and Yard Escrow	48,570	9,000	51,000	6,570
Town Court	68,465	608,174	580,696	95,943
Totals	<u>\$ 9,888,555</u>	<u>\$ 18,965,842</u>	<u>\$ 19,483,501</u>	<u>\$ 9,370,896</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, urban redevelopment, 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Property tax rates and levies for 2007 taxes payable 2008 were not established by February 15, 2007, as required by statute, due to the delay in reassessment of Lake County. The final settlement of 2007 taxes payable 2008 was distributed on March 27, 2009.

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2009. Significant delays in the trending of assessments process have resulted in delays in billing, collection, and distribution of tax revenues by the County for the Town in 2009. The assessed valuations of Lake County were not finalized by February 1, 2009, as required. The Lake County 2008 pay 2009 property tax rates and levies, as well as related budget orders for 2009, were not established until July 31, 2009. The County billed the 2008 pay 2009 taxes in two installments with due dates of October 29 and November 30, 2009. The City received the first distribution of the 2008 pay 2009 property taxes on November 25, 2009. The final distribution occurred on January 20, 2010. The delay in billing and distributing tax collections has hampered the Town's ability to appropriately budget and expend funds and has forced the Town to borrow from other funds in anticipation of tax revenues.

TOWN OF LOWELL
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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 this 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 members' 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. 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 Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF LOWELL
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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

TOWN OF LOWELL
NOTES TO FINANCIAL INFORMATION
(Continued)

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 towards the operating costs, and pays one-half of all long-term debt of the Utility.

Note 8. State Revolving Loan Fund

On May 11, 2009, the Town Council applied for a loan from the State Revolving Loan Fund (SRF). Under the terms of the SRF, a portion of the loan will be forgivable which will be evidenced by the issuance of bond anticipation notes (BAN). The loan is set up under two accounts, the SRF Construction and the American Recovery and Reinvestment Act (ARRA) BAN. The proceeds for which are set aside to finance the radio based automatic meter reading drive-by system with billing and records capabilities. Funds will be loaned to the Town as project costs are accrued to the maximum allowed. The SRF loan established a maximum draw of \$700,000. Annual debt service requirements for the SRF loan will not be determined until the planned project is completed. On April 15, 2013, the loan under the ARRA BAN will be forgiven for a maximum amount of \$280,000 if the Town is in compliance on that date. Compliance includes requirements imposed by ARRA and related SRF Policy Guidelines and the Town is not in default. The Town expects to be in compliance and to have that part of the loan forgiven. As of December 31, 2009, the Town has drawn down \$95,100 under the ARRA BAN and \$24,612 under the SRF Loan for a total of \$119,712.

Note 9. Interfund Loans

Outstanding interfund loans at December 31, 2008 and 2009, are as follows:

<u>Due To:</u>	<u>Due From:</u>	<u>2008</u>	<u>2009</u>
Sewer Improvement Fund	General Fund	\$ 750,000	\$ 1,500,000
Sewer Improvement Fund	Motor Vehicle Highway Fund	150,000	150,000
Sewer Improvement Fund	Park Fund	100,000	100,000
Totals		<u>\$ 1,000,000</u>	<u>\$ 1,750,000</u>

TOWN OF LOWELL
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 10. Joint Park Operation

The Town, in conjunction with Cedar Creek and West Creek Townships, created the Freedom Park Committee, 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; however, in the last year, Cedar Creek has contributed \$6,000 instead of \$12,000 and West Creek Township has not contributed in the past two years. 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 11. Subsequent Event

Property tax rates and levies for 2009 taxes payable in 2010 were not established by February 15, 2010, as required by state statute due to errors in assessments. Therefore, the 2009 pay 2010 property tax rates and levies, as well as related budget orders for 2010, were not established. A provisional bill was issued due May 10, 2010, based upon the 2008 pay 2009 tax rates. Town officials have not been advised when the tax rates for 2009 pay 2010 will be established.

On January 22, 2010, the \$1,750,000 temporary loans from the Sewer Improvement Fund to the General Fund, Motor Vehicle Highway Fund, and Park Fund was reimbursed.

On January 25, 2010, Resolution 2010-01 was approved for a temporary loan from the Sewer Improvement Fund to the General Fund for \$700,000 and to the Park Fund for \$50,000.

On February 8, 2010, the Town was notified that they have been awarded an INDOT award of \$342,000 matching grant of 80/20% to be used for curbs and sidewalks along Commercial Avenue.

On March 8, 2010, the Town was notified from the Office of Energy Development that they have been selected for a \$249,000 no match grant. The grant is to be used for air conditioning and furnaces at Town Hall, Street Department, and Water Department and insulation at the Street Department and doors and windows at the Water Treatment Plant.

On May 10, 2010, Resolution 2010-06 was approved for a temporary loan from the Sewer Improvement Fund to the General Fund for \$200,000, Motor Vehicle and Highway Fund for \$150,000, and Park Fund for \$50,000.

TOWN OF LOWELL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For the Year Ended December 31, 2009

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	5,646,483
Buildings	1,747,393
Improvements other than buildings	684,369
Machinery and equipment	<u>3,708,924</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 12,612,944</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	3,747,073
Machinery and equipment	<u>1,695,050</u>
 Total Water Utility capital assets	 <u>10,761,322</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	112,857
Buildings	2,310,305
Improvements other than buildings	20,805,418
Machinery and equipment	<u>1,046,621</u>
 Total Wastewater Utility capital assets	 <u>24,275,201</u>
 Total business-type activities capital assets	 <u>\$ 35,014,687</u>

TOWN OF LOWELL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town of Lowell has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2008 Total Patcher	\$ 20,164	\$ 7,235
2008 Chevy Malibu	10,197	5,825
2007 Park Truck	12,774	7,248
2008 MVH Sterling Truck	60,338	34,233
Bonds payable:		
General obligation bonds:		
2002 Park Bonds	515,000	54,157
2009 Street Bonds	550,000	17,803
	<u>550,000</u>	<u>17,803</u>
Total governmental activities debt	<u>\$ 1,168,473</u>	<u>\$ 126,501</u>
Business-type activities:		
Water Utility:		
Capital leases:		
2008 Total Patcher	\$ 20,164	\$ 7,235
Revenue bonds:		
FMHA Loan	4,419,000	376,997
SRF LOAN	119,712	-
	<u>4,558,876</u>	<u>384,232</u>
Total Water Utility	<u>4,558,876</u>	<u>384,232</u>
Wastewater Utility:		
Capital leases:		
2008 Total Patcher	20,164	7,235
Revenue bonds:		
State Revolving loans SRF:		
CS18224801	1,891,000	213,749
CS18224802	760,979	86,159
CS18236701	7,015,000	576,316
	<u>7,015,000</u>	<u>576,316</u>
Total Wastewater Utility	<u>9,687,143</u>	<u>883,459</u>
Total business-type activities debt	<u>\$ 14,246,019</u>	<u>\$ 1,267,691</u>

TOWN OF LOWELL
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2010, 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.