



**Auditor of State
Betty Montgomery**

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY
JANUARY 1, 2001 THROUGH DECEMBER 31, 2002**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lordstown
Trumbull County
1455 Salt Springs Road, S.W.
Lordstown, Ohio 44481

To the Village Council:

We have audited the accompanying financial statements of the Village of Lordstown (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Lordstown
Trumbull County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 16, 2003

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$160,520				\$3,107,495	\$3,268,015
Intergovernmental Receipts	205,198	\$155,536				360,734
Charges for Services	50,787	7,170			8,442	66,399
Fines, Licenses, and Permits	58,239	656				58,895
Earnings on Investments	49,010	33,795				82,805
Miscellaneous	22,066	865		\$36,289		59,220
Total Cash Receipts	545,820	198,022	\$0	36,289	3,115,937	3,896,068
Cash Disbursements:						
Current:						
Security of Persons and Property	1,172,801	15,693				1,188,494
Public Health Services	18,693	14,796				33,489
Leisure Time Activities	151,719				150	151,869
Community Environment	82,919				171	83,090
Transportation		621,316				621,316
General Government	681,321				73,772	755,093
Debt Service:						
Principal Payments			68,559			68,559
Capital Outlay		258,708		678,978		937,686
Total Cash Disbursements	2,107,453	910,513	68,559	678,978	74,093	3,839,596
Total Receipts Over/(Under) Disbursements	(1,561,633)	(712,491)	(68,559)	(642,689)	3,041,844	56,472
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets				7,710		7,710
Transfers-In	1,678,979	427,483	228,648	716,241		3,051,351
Advances-In	2,200					2,200
Transfers-Out	(108,000)				(3,050,689)	(3,158,689)
Advances-Out		(2,200)				(2,200)
Other Sources	148,551					148,551
Total Other Financing Receipts/(Disbursements)	1,721,730	425,283	228,648	723,951	(3,050,689)	48,923
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	160,097	(287,208)	160,089	81,262	(8,845)	105,395
Fund Cash Balances, January 1	658,363	586,973	551,828	1,963,902	29,873	3,790,939
Fund Cash Balances, December 31	\$818,460	\$299,765	\$711,917	\$2,045,164	\$21,028	\$3,896,334
Reserves for Encumbrances, December 31	\$46,256	\$79,901	\$0	\$891,431	\$1,992	\$1,019,580

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$268,808			\$268,808
Miscellaneous	24,523	\$243	\$182	24,948
Total Operating Cash Receipts	293,331	243	182	293,756
Operating Cash Disbursements:				
Personal Services	197,818			197,818
Contractual Services	184,117			184,117
Supplies and Materials	7,374			7,374
Capital Outlay	2,950			2,950
Total Operating Cash Disbursements	392,259	0	0	392,259
Operating Income/(Loss)	(98,928)	243	182	(98,503)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(98,928)	243	182	(98,503)
Transfers-In	108,000			108,000
Transfers-Out		(662)		(662)
Net Receipts Over/(Under) Disbursements	9,072	(419)	182	8,835
Fund Cash Balances, January 1	127,442	4,163	1,599	133,204
Fund Cash Balances, December 31	\$136,514	\$3,744	\$1,781	\$142,039
Reserve for Encumbrances, December 31	\$4,183	\$0	\$0	\$4,183

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$154,961				\$2,914,071	\$3,069,032
Intergovernmental Receipts	227,874	\$139,994		\$46,188		414,056
Charges for Services	52,423	7,325			9,319	69,067
Fines, Licenses, and Permits	54,751	2,192				56,943
Earnings on Investments	175,382	79,341				254,723
Miscellaneous	72,903	4,053		60,613		137,569
	<u>738,294</u>	<u>232,905</u>	<u>0</u>	<u>106,801</u>	<u>2,923,390</u>	<u>4,001,390</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	1,131,890	46,062				1,177,952
Public Health Services	17,789	7,570				25,359
Leisure Time Activities	154,926				360	155,286
Community Environment	85,999				545	86,544
Transportation		552,360				552,360
General Government	702,507	21,926			937,995	1,662,428
Debt Service:						
Principal Payments			68,559			68,559
Capital Outlay				2,537,817		2,537,817
	<u>2,093,111</u>	<u>627,918</u>	<u>68,559</u>	<u>2,537,817</u>	<u>938,900</u>	<u>6,266,305</u>
Total Cash Disbursements	<u>2,093,111</u>	<u>627,918</u>	<u>68,559</u>	<u>2,537,817</u>	<u>938,900</u>	<u>6,266,305</u>
Total Receipts Over/(Under) Disbursements	<u>(1,354,817)</u>	<u>(395,013)</u>	<u>(68,559)</u>	<u>(2,431,016)</u>	<u>1,984,490</u>	<u>(2,264,915)</u>
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets				20,000		20,000
Transfers-In	1,128,582	425,642	212,060	372,624		2,138,908
Advances-In	1,628	2,200				3,828
Transfers-Out	(245,863)				(1,976,824)	(2,222,687)
Advances-Out	(2,200)	(1,628)				(3,828)
Other Sources	(550)	4,950				4,400
Other Uses	(9,956)					(9,956)
	<u>871,641</u>	<u>431,164</u>	<u>212,060</u>	<u>392,624</u>	<u>(1,976,824)</u>	<u>(69,335)</u>
Total Other Financing Receipts/(Disbursements)	<u>871,641</u>	<u>431,164</u>	<u>212,060</u>	<u>392,624</u>	<u>(1,976,824)</u>	<u>(69,335)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(483,176)	36,151	143,501	(2,038,392)	7,666	(2,334,250)
Fund Cash Balances, January 1	1,141,539	550,822	408,327	4,002,294	22,207	6,125,189
Fund Cash Balances, December 31	<u>\$658,363</u>	<u>\$586,973</u>	<u>\$551,828</u>	<u>\$1,963,902</u>	<u>\$29,873</u>	<u>\$3,790,939</u>
Reserves for Encumbrances, December 31	<u>\$36,378</u>	<u>\$100,090</u>		<u>\$630,985</u>	<u>\$200</u>	<u>\$767,653</u>

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	\$266,673			\$266,673
Miscellaneous	39,729	662	1,163	41,554
Total Operating Cash Receipts	<u>306,402</u>	<u>662</u>	<u>1,163</u>	<u>308,227</u>
Operating Cash Disbursements:				
Personal Services	184,275			184,275
Contractual Services	208,116			208,116
Supplies and Materials	15,748			15,748
Total Operating Cash Disbursements	<u>408,139</u>			<u>408,139</u>
Operating Income/(Loss)	<u>(101,737)</u>	<u>662</u>	<u>1,163</u>	<u>(99,912)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(101,737)	662	1,163	(99,912)
Transfers-In	85,000			85,000
Transfers-Out		(1,221)		(1,221)
Net Receipts Over/(Under) Disbursements	(16,737)	(559)	1,163	(16,133)
Fund Cash Balances, January 1	<u>144,179</u>	<u>4,722</u>	<u>436</u>	<u>149,337</u>
Fund Cash Balances, December 31	<u>\$127,442</u>	<u>\$4,163</u>	<u>\$1,599</u>	<u>\$133,204</u>
Reserve for Encumbrances, December 31	<u>\$64</u>			<u>\$64</u>

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lordstown, Trumbull County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and Repurchase Agreements (SWEEP Account) are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Debt Service Fund - This fund is used to pay off the Ohio Public Works Commission (Issue II) Loans.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvement Fund - This fund receives proceeds from income tax collections. The proceeds are being used to make sewer line improvements, vehicle replacement, resurface roads, and make major alterations to buildings.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Income Tax Fund – This fund receives proceeds from income tax collections. Proceeds are used for the operations of the income tax department and transfers to the General, Street Construction Maintenance and Repair, Capital Improvement, and Debt Service Funds as Required by Section 181.14 of the Lordstown Village Codified Ordinances.

E. Budgetary Process

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$334,060	\$88,886
Certificates of deposit	100,000	111,835
Total deposits	434,060	200,721
STAR Ohio	3,290,002	3,231,566
Repurchase agreement (SWEEP Account)	314,311	491,856
Total investments	3,604,313	3,723,422
Total deposits and investments	\$4,038,373	\$3,924,143

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: SWEEP Account investments include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department, but not in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,369,334	\$2,373,350	\$4,016
Special Revenue	612,330	625,505	13,175
Debt Service	223,780	228,648	4,868
Capital Projects	745,176	760,240	15,064
Enterprise	401,330	401,331	1
Fiduciary	3,116,379	3,116,362	(17)
Total	\$7,468,329	\$7,505,436	\$37,107

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,859,931	\$2,261,709	\$598,222
Special Revenue	1,188,361	990,414	197,947
Debt Service	68,559	68,559	0
Capital Projects	2,597,985	1,570,409	1,027,576
Enterprise	481,154	396,442	84,712
Fiduciary	3,136,151	3,127,436	8,715
Total	<u>\$10,332,141</u>	<u>\$8,414,969</u>	<u>\$1,917,172</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,783,769	\$1,866,326	\$82,557
Special Revenue	654,114	663,497	9,383
Debt Service	211,560	212,060	500
Capital Projects	481,550	499,425	17,875
Enterprise	390,310	391,402	1,092
Fiduciary	2,920,019	2,925,215	5,196
Total	<u>\$6,441,322</u>	<u>\$6,557,925</u>	<u>\$116,603</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,018,044	\$2,385,308	\$632,736
Special Revenue	1,165,975	728,008	437,967
Debt Service	68,559	68,559	0
Capital Projects	4,473,520	3,168,802	1,304,718
Enterprise	473,252	408,203	65,049
Fiduciary	2,934,967	2,917,145	17,822
Total	<u>\$12,134,317</u>	<u>\$9,676,025</u>	<u>\$2,458,292</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

This locally levied tax of one-half of one percent (1/2%) percent is applied to gross salaries, wages, and other personal service compensation earned by residents both in and out of the Village and to earnings of non-residents (except certain transients) earned in the government. It also applies to net income to business organizations conducted within the Village. Tax receipts are credited to the Village's Expendable Trust (Local Income Tax Fund) and amounted to \$3,107,495 in 2002 and \$2,914,071 in 2001.

(NOTE: the 1/2% Municipal Income Tax is levied, as the result of the passage on July 1, 1977, of Ordinance No. 41-77).

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$1,199,789	0.00%
Total	<u>\$1,199,789</u>	

The Ohio Public Works Commission (OPWC) loans relate to two sanitary sewer line improvement projects. The OPWC has approved \$1,371,188 in interest free loans to the Village for these projects. The loans will be repaid in semiannual installments over 20 years. The loans are collateralized by the Villages taxing authority.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

	<u>OPWC Loans</u>
Year ending December 31:	
2003	\$68,559
2004	68,559
2005	68,559
2006	68,559
2007	68,559
Subsequent	856,994
Total	<u><u>\$1,199,789</u></u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Lordstown
Trumbull County
1455 Salt Springs Road, S.W.
Lordstown, Ohio 44481

To the Village Council:

We have audited the accompanying financial statements of the Village of Lordstown (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated June 16, 2003. 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 Village's 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 16, 2003.

Village of Lordstown
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This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 16, 2003



**Auditor of State
Betty Montgomery**

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VILLAGE OF LORDSTOWN

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 15, 2003**