



Dave Yost • Auditor of State

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Lordstown
1455 Salt Springs Road SW
Warren, Ohio 44481

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Lordstown, Trumbull County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lordstown, Trumbull as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2015

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$115,586					\$115,586
Municipal Income Tax	1,313,382	\$494,238	\$1,838,735	\$1,838,735		5,485,090
Intergovernmental	130,846	210,999				341,845
Special Assessments		340				340
Charges for Services	138,785	11,398				150,183
Fines, Licenses and Permits	221,508	160				221,668
Earnings on Investments	6,068	1,723				7,791
Contributions, Gifts, and Donations				26,000		26,000
Awards and Judgements				160,000		160,000
Miscellaneous	4,386	28,695		41,814		74,895
<i>Total Cash Receipts</i>	<u>1,930,561</u>	<u>747,553</u>	<u>1,838,735</u>	<u>2,066,549</u>	<u>0</u>	<u>6,583,398</u>
Cash Disbursements						
Current:						
Security of Persons and Property	1,492,464	17,183		168,978		1,678,625
Public Health Services	32,734	34,203		132,000		198,937
Leisure Time Activities	187,123			41,278		228,401
Community Environment	207,909			130,654		338,563
Transportation		600,927		423,387		1,024,314
General Government	828,978	232,577		173,819		1,235,374
Capital Outlay				467,106		467,106
Debt Service:						
Principal Retirement			577,225			577,225
Interest and Fiscal Charges			242,018			242,018
<i>Total Cash Disbursements</i>	<u>2,749,208</u>	<u>884,890</u>	<u>819,243</u>	<u>1,537,222</u>	<u>0</u>	<u>5,990,563</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(818,647)</u>	<u>(137,337)</u>	<u>1,019,492</u>	<u>529,327</u>	<u>0</u>	<u>592,835</u>
Other Financing Receipts						
Other Debt Proceeds				467,106		467,106
Sale of Capital Assets				2,266		2,266
Transfers In	100	11				111
Other Financing Sources	41,753					41,753
<i>Total Other Financing Receipts</i>	<u>41,853</u>	<u>11</u>	<u>0</u>	<u>469,372</u>	<u>0</u>	<u>511,236</u>
<i>Net Change in Fund Cash Balances</i>	<u>(776,794)</u>	<u>(137,326)</u>	<u>1,019,492</u>	<u>998,699</u>	<u>0</u>	<u>1,104,071</u>
<i>Fund Cash Balances, January 1</i>	<u>3,836,566</u>	<u>1,041,998</u>	<u>3,756,265</u>	<u>596,622</u>		<u>9,231,451</u>
Fund Cash Balances, December 31						
Nonspendable	542	0	0	0	0	542
Restricted	0	882,672	4,775,757	1,595,321	0	7,253,750
Committed	0	22,000	0	0	0	22,000
Assigned	32,041	0	0	0	0	32,041
Unassigned (Deficit)	<u>3,027,189</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,027,189</u>
<i>Fund Cash Balances, December 31</i>	<u>\$3,059,772</u>	<u>\$904,672</u>	<u>\$4,775,757</u>	<u>\$1,595,321</u>	<u>\$0</u>	<u>\$10,335,522</u>

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type		Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)	
Operating Cash Receipts					
Charges for Services	\$1,546,632				\$1,546,632
Fines, Licenses and Permits	\$29,949				29,949
Earnings on Investments			\$17		17
Miscellaneous	5,897	\$41,736			47,633
<i>Total Operating Cash Receipts</i>	<u>1,582,478</u>	<u>41,736</u>	<u>17</u>		<u>1,624,231</u>
Operating Cash Disbursements					
Personal Services	215,485				215,485
Employee Fringe Benefits	51,384				51,384
Contractual Services	134,721	39,809			174,530
Supplies and Materials	836,551				836,551
<i>Total Operating Cash Disbursements</i>	<u>1,238,141</u>	<u>39,809</u>	<u>0</u>		<u>1,277,950</u>
<i>Operating Income</i>	<u>344,337</u>	<u>1,927</u>	<u>17</u>		<u>346,281</u>
Non-Operating Receipts (Disbursements)					
Special Assessments	44,178				44,178
Sale of Capital Assets	520				520
Capital Outlay	(31,991)				(31,991)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>12,707</u>	<u>0</u>	<u>0</u>		<u>12,707</u>
<i>Income before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>357,044</u>	<u>1,927</u>	<u>17</u>		<u>358,988</u>
Transfers Out	(100)		(11)		(111)
<i>Net Change in Fund Cash Balances</i>	<u>356,944</u>	<u>1,927</u>	<u>6</u>		<u>358,877</u>
<i>Fund Cash Balances, January 1</i>	<u>1,549,264</u>	<u>32,750</u>	<u>7,511</u>		<u>1,589,525</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,906,208</u>	<u>\$34,677</u>	<u>\$7,517</u>		<u>\$1,948,402</u>

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$118,498					\$118,498
Municipal Income Tax	4,038,722	\$1,182,566	\$2,091,481	\$360,600		7,673,369
Intergovernmental	119,354	215,053		1,140		335,547
Special Assessments		160				160
Charges for Services	151,330	20,488				171,818
Fines, Licenses and Permits	212,542	757				213,299
Earnings on Investments	3,555	884				4,439
Miscellaneous	2,978	3,104		188,205		194,287
<i>Total Cash Receipts</i>	<u>4,646,979</u>	<u>1,423,012</u>	<u>2,091,481</u>	<u>549,945</u>	<u>0</u>	<u>8,711,417</u>
Cash Disbursements						
Current:						
Security of Persons and Property	1,443,491	12,018		66,931		1,522,440
Public Health Services	20,916	8,600				29,516
Leisure Time Activities	183,630			14,986		198,616
Community Environment	159,281			37,704		196,985
Transportation		569,373		171,577		740,950
General Government	895,802	461,392		59,993		1,417,187
Debt Service:						
Principal Retirement			597,579			597,579
Interest and Fiscal Charges			254,622			254,622
<i>Total Cash Disbursements</i>	<u>2,703,120</u>	<u>1,051,383</u>	<u>852,201</u>	<u>351,191</u>	<u>0</u>	<u>4,957,895</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,943,859</u>	<u>371,629</u>	<u>1,239,280</u>	<u>198,754</u>	<u>0</u>	<u>3,753,522</u>
Other Financing Receipts (Disbursements)						
Transfers In	1,846	100,016		100,641		202,503
Transfers Out	(200,551)	(15)	(1,796)			(202,362)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(198,705)</u>	<u>100,001</u>	<u>(1,796)</u>	<u>100,641</u>	<u>0</u>	<u>141</u>
<i>Net Change in Fund Cash Balances</i>	1,745,154	471,630	1,237,484	299,395	0	3,753,663
<i>Fund Cash Balances, January 1 (Restated See Note 2)</i>	<u>2,091,412</u>	<u>570,368</u>	<u>2,518,781</u>	<u>297,227</u>		<u>5,477,788</u>
Fund Cash Balances, December 31						
Nonspendable	497	0	0	0	0	497
Restricted	0	1,019,998	3,756,265	596,622	0	5,372,885
Committed	0	22,000	0	0	0	22,000
Assigned	143,845	0	0	0	0	143,845
Unassigned (Deficit)	3,692,224	0	0	0	0	3,692,224
<i>Fund Cash Balances, December 31</i>	<u>\$3,836,566</u>	<u>\$1,041,998</u>	<u>\$3,756,265</u>	<u>\$596,622</u>	<u>\$0</u>	<u>\$9,231,451</u>

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund	Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$1,723,249			\$1,723,249
Fines, Licenses and Permits	\$15,112			15,112
Earnings on Investments (trust funds only)			\$11	11
Miscellaneous	7,244	\$9,159		16,403
<i>Total Operating Cash Receipts</i>	<u>1,745,605</u>	<u>9,159</u>	<u>11</u>	<u>1,754,775</u>
Operating Cash Disbursements				
Personal Services	187,932			187,932
Employee Fringe Benefits	40,940			40,940
Contractual Services	97,293	7,586		104,879
Supplies and Materials	845,089			845,089
<i>Total Operating Cash Disbursements</i>	<u>1,171,254</u>	<u>7,586</u>	<u>0</u>	<u>1,178,840</u>
<i>Operating Income</i>	<u>574,351</u>	<u>1,573</u>	<u>11</u>	<u>575,935</u>
Non-Operating Receipts (Disbursements)				
Special Assessments	520			520
Sale of Capital Assets	110			110
Capital Outlay	(38,550)			(38,550)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(37,920)</u>	<u>0</u>	<u>0</u>	<u>(37,920)</u>
<i>Income before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	536,431	1,573	11	538,015
Transfers In				0
Transfers Out	(75)	(50)	(16)	(141)
<i>Net Change in Fund Cash Balances</i>	536,356	1,523	(5)	537,874
<i>Fund Cash Balances, January 1 (Restated See Note 2)</i>	<u>1,012,908</u>	<u>31,227</u>	<u>7,516</u>	<u>1,051,651</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,549,264</u></u>	<u><u>\$32,750</u></u>	<u><u>\$7,511</u></u>	<u><u>\$1,589,525</u></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, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lordstown, Trumbull County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a part-time and volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values Certificates of Deposits and repurchase agreements (sweep accounts) at cost. STAR Ohio is recorded at share values the mutual funds report.

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 accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the charter of the Village of Lordstown and/or the general laws of Ohio.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund – To account for and report that portion of the State gasoline tax and motor vehicle registration fees restricted for street maintenance and repair.

Income Tax Fund – To account for proceeds from income tax collections. Proceeds are used for the operations of the income tax department and transfers to the General Fund, Street Construction, Maintenance and Repair Fund, Capital Projects Fund, and the Debt Service Fund.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

East Side Sewer Fund – To account for and report proceeds of debt restricted for the payment of the East Side Sewer Project.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds

Capital Improvement Fund – To account for and report various revenues which are restricted for various capital improvements.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust funds are for the benefit of certain individuals (Yeager, Lee and Morgan Endowments).

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for employee contributions to a third party and deposits for other entities.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2013 and 2012, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. RESTATEMENT OF PRIOR YEAR BALANCES

The Village moved the Deposit Trust Fund from the Special Revenue Fund type, as reported at the end of December 31, 2011, to the Agency Fund beginning January 1, 2012. The Village also moved the unclaimed Monies Fund from the Agency Fund type, as reported at the end of December 31, 2011, to the General Fund beginning January 1, 2012. The following were the effects on beginning fund balances:

Fund Type	2011 Ending Report Balance	Restated Amount	Beginning Balance January 1, 2012
Agency Fund	\$ 1,193	\$ 31,227	
		(1,193)	\$ 31,227
Special Revenue Fund	601,595	(31,227)	570,368
General Fund	2,090,219	1,193	2,091,412

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$1,707,252	\$1,746,433
Certificates of deposit	2,000,000	0
Total deposits	<u>3,707,252</u>	<u>1,746,433</u>
STAR Ohio	1,752,813	1,751,626
Sweep Account	1,812,955	2,322,024
Money Market Accounts	<u>5,010,904</u>	<u>5,000,893</u>
Total investments	<u>8,576,672</u>	<u>9,074,543</u>
Total deposits and investments	<u><u>\$12,283,924</u></u>	<u><u>\$10,820,976</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and money market accounts are not evidenced by securities that exist in physical or book-entry form. The Village's financial institution transfers securities to the Village's agent to collateralize sweep accounts. The securities are not in the Village's name.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,136,449	\$1,972,414	(\$164,035)
Special Revenue	747,562	747,564	2
Debt Service	1,838,735	1,838,735	0
Capital Projects	2,068,814	2,535,921	467,107
Enterprise	1,627,076	1,627,176	100
Internal Service	0	0	0
Private Purpose Trust	17	17	0
Permanent	0	0	0
Total	\$8,418,653	\$8,721,827	\$303,174

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,075,480	\$2,749,208	\$2,326,272
Special Revenue	3,248,026	884,890	2,363,136
Debt Service	853,997	819,243	34,754
Capital Projects	1,495,430	1,537,222	(41,792)
Enterprise	2,951,870	1,270,232	1,681,638
Internal Service	0	0	0
Private Purpose Trust	105	11	94
Permanent	0	0	0
Total	\$13,624,908	\$7,260,806	\$6,364,102

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,649,701	\$4,649,611	(\$90)
Special Revenue	1,523,029	1,523,028	(1)
Debt Service	2,091,481	2,091,481	0
Capital Projects	650,586	650,586	0
Enterprise	1,746,234	1,746,235	1
Internal Service	0	0	0
Private Purchase Trust	11	11	0
Permanent	0	0	0
Total	\$10,661,042	\$10,660,952	(\$90)

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,413,897	\$2,903,761	\$1,510,136
Special Revenue	5,124,210	1,051,398	4,072,812
Debt Service	853,997	853,997	0
Capital Projects	400,000	351,191	48,809
Enterprise	1,781,844	1,209,879	571,965
Internal Service	0	0	0
Private Purchase Trust	16	16	0
Permanent	0	0	0
Total	\$12,573,964	\$6,370,242	\$6,203,722

Contrary to Ohio law, the Village did not amend its official certificate of estimated resources for a grant received in accordance with Ohio Rev. Code Section 5705.36(A)(3). In addition, contrary to Ohio law the village did not follow Ohio Revised Code Section 5705.41(B) which requires that no expenditures be made unless they have been properly appropriated; therefore, appropriations should be recorded in accordance with the terms and conditions of the grant or project agreement. Ohio Rev. Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure prior to recording the appropriations.

5. PROPERTY TAX

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

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

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission		
Phase IV Sanitary Sewer: Force Main & Lift Station	\$47,976	0%
Phase IV Sanitary Sewer Project	431,939	0%
Tait Road Sanitary Sewer Project	658,950	0%
Subtotal	1,138,865	
Ohio Water Development Authority Loan		
East Side Sewers I (4857)	6,641,355	2.76%
East Side Sewers II (5000)	778,925	2.86%
East Side Sewers III (5336)	559,786	2.75%
Subtotal	7,980,066	
Total	\$9,118,931	

The Ohio Public Works Commission loans relate to two Phase IV Sanitary Sewer Line Improvement projects, Bailey Road Bridge project, and Tait Road Sanitary Sewer Project. The OPWC approved up to \$2,289,250 for these projects. The full \$2,289,250 has been disbursed. The loans are interest free and will be repaid in semi-annual installments over 20 years.

The Ohio Water Development Authority (OWDA) loans relates to the East Side Sanitary Sewer Project. The OWDA approved up to \$10,751,059 for these projects. The original loan approved for \$8,551,331 interest rate is 2.76 percent; the first supplemental loan approved for \$1,000,000 has an interest rate of 2.86 percent. The full amount for both of these loans has been disbursed. The second supplemental loan approved for \$1,199,883 has disbursed \$790,467 as of December 31, 2013, and has an interest rate of 2.75 percent. All loans will be repaid in semi-annual installments over 20 years.

The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Loans are collateralized by general tax revenues and water and sewer receipts of the Village

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC
2014	\$112,490
2015	112,490
2016	112,490
2017	112,490
2018	112,490
2019-2023	356,770
2024-2028	219,645
Total	\$1,138,865

The Village has entered into contractual agreements for construction loans from OWDA. Under the terms of these agreements, OWDA will reimburse, advance, or directly pay the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loans. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore, they are not included in the schedule of future annual debt service requirements.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10 percent of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

10. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Lordstown
1455 Salt Springs Road SW
Warren, Ohio 44481

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Lordstown, Trumbull County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2015

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
December 31, 2013 and 2012

1. EMS Billing Rates and Monitoring

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

The Village contracts with an outside billing company, as a service organization, to perform their EMS billings and collections. The rates presented and accepted by Council Ordinance 79-2010 were as follows:

- Basic Life Services (BLS) - \$550 to \$650
- Advanced Life Services (ALS1) - \$700 to \$850
- Advanced Life Services (ALS2) - \$850 to \$950
- Mileage - \$11 to \$13 per loaded mile.

We reviewed thirty-one EMS billing runs processed by the Village's outside billing company. Of the thirty-one billing runs reviewed, eighteen were billed at \$500, which was contrary to the Council rate of \$550. Of the thirty-one billing runs billed for loaded mile, all billing runs were billed at \$9 per loaded mile, which was contrary to Council set rates beginning at \$11 per loaded mile.

According to the outside billing company, the dispatch code (ALS/BLS) does not dictate the actual billing rate. The actual narratives and circumstances of each run determine how the claim will be billed. In regards to the mileage variances, we were informed that actual mileage billed can be either fractional, rounded and in some cases both are acceptable and depends on the billed party.

Based on the information we were provided, we are unable to determine if the correct rates are being applied for the following reasons:

- Subjective judgment is involved based on the circumstances of each individual run.
- There was no evidence of monitoring controls in place over the billings and collections.
- The contract with service organization states that it will bill nonresidents three times and then the Village forgives the obligation if no payment is received. This would result in an incorrect rate not even being significant.
- The contract also states, residents will be billed to the extent their insurance pays. We are not privileged with those rates.

We recommend the Village institute the following control procedures over billing runs and the rates that are billed by the service organization:

- Obtain the SOC1 service organization report from the service organization and review the User Control Consideration and adopt procedures to address each control consideration.
- Documentation should be maintained with all billing runs by date and loaded miles and updated when payment is received or forgiven in order to determine completeness over billings and collections. This documentation should be reviewed by the Village on a monthly basis and reported to Council and maintained for audit.
- Each Monthly Activity Report provided to the Village by the service organization should be reconciled to the billing runs and determined if the amounts billed and loaded miles are in agreement with Council Ordinance regarding rates to be charged. If different rates are applied, sufficient explanations should be provided and documented.

1. EMS Billing Rates and Monitoring (Continued)

<i>Finding Number</i>	2013-001 (Continued)
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NONCOMPLIANCE AND MATERIAL WEAKNESS (Continued)

Establishment of these controls may help minimize the risk of fraud or errors occurring with respect to the transactions processed by the service organization.

2. Budgeting for OWDA Receipts and Expenditures

<i>Finding Number</i>	2013-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

There are also several budgetary compliance requirements associated with the recording of such program receipts and disbursements:

- Ohio Rev. Code Section 5705.09(F) requires the legislative authority to approve, by resolution, the grant or project application and must establish any fund(s) necessary to meet the grant or project objectives.
- Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant or project, based on the expected cash disbursements to be made on the local government's behalf in the current fiscal year in accordance with Ohio Rev. Code Section 5705.36(A)(3).
- Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated; therefore, appropriations should be recorded in accordance with the terms and conditions of the grant or project agreement. Ohio Rev. Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure prior to recording the appropriations.

During 2013, the Village was the beneficiary of Ohio Water Development Authority (OWDA) monies that were paid directly to the vendor(s) by OWDA. On behalf of the Village, OWDA paid the vendor \$467,106. The Village did not record the receipt and expenditure transactions relating to these OWDA on-behalf-of payments, nor did they amend their estimated resources and appropriations to properly budget for the expected grant receipts and expenditures. The Village's financial statements were adjusted to reflect these transactions.

2. Budgeting for OWDA Receipts and Expenditures (Continued)

<i>Finding Number</i>	2013-002 (Continued)
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NONCOMPLIANCE AND MATERIAL WEAKNESS (Continue)

When approved for funding by a State or Federal agency, the Village should follow the reporting requirements summarized by Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of the Ohio Revised Code. When the Village receives notice that funds will be expended on its behalf, the Village should certify the available resources to the County Budget Commission and amend appropriations to account for the expected grant receipts and expenditures.

3. Encumbering Obligations

<i>Finding Number</i>	2013-003
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NONCOMPLIANCE

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" and at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

3. Encumbering Obligations (Continued)

<i>Finding Number</i>	2013-003 (Continued)
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NONCOMPLIANCE (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always encumber funds at the time of the commitment. We noted that twenty-two percent of the purchase orders tested were not properly encumbered. Of these, ten related to the Clerk not being provided specific permission by Council on those expenditures which exceeded \$3,000. Incurring obligations prior to the Clerk’s certification could result in the Village spending more than appropriated.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official’s Responses: The Village did not provide any responses to the findings.



Dave Yost • Auditor of State

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
MARCH 19, 2015**