



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY
DECEMBER 31, 2021 and 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Basic Financial Statements:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2021	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary Fund Types – For the Year Ended December 31, 2021	6
Combined Statement of Additions, Deletions, and Changes in Fund Balances (Regulatory Cash Basis) – All Fiduciary Fund Types – For the Year Ended December 31, 2021	7
Notes to the Basic Financial Statements	9
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2020	21
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary Fund Types – For the Year Ended December 31, 2020	22
Combined Statement of Additions, Deletions, and Changes in Fund Balances (Regulatory Cash Basis) – All Fiduciary Fund Types – For the Year Ended December 31, 2020	23
Notes to the Basic Financial Statements	25
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35
Schedule of Findings	37
Prepared by Management:	
Summary Schedule of Prior Audit Findings	39

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Lordstown, Trumbull County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 1.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Emphasis of Matter

As discussed in Notes 14 to the financial statements, the financial impact of COVID-19 and the emergency measures may impact subsequent periods of the Village. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 17, 2022

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Village of Lordstown, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$165,546	\$0	\$0	\$0	\$165,546
Municipal Income Tax	2,386,778	238,857	0	0	2,625,635
Intergovernmental	82,419	575,376	0	0	657,795
Charges for Services	329,173	18,403	0	0	347,576
Fines, Licenses and Permits	198,204	2,609	0	0	200,813
Contributions, Gifts, and Donations	10,211	0	0	25,000	35,211
Earnings on Investments	4,165	984	0	0	5,149
Miscellaneous	10,849	2,128	0	242,322	255,299
<i>Total Cash Receipts</i>	<u>3,187,345</u>	<u>838,357</u>	<u>0</u>	<u>267,322</u>	<u>4,293,024</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,024,864	63,902	0	86,733	2,175,499
Public Health Services	31,231	10,434	0	0	41,665
Leisure Time Activities	255,722	0	0	0	255,722
Community Environment	209,121	0	0	223	209,344
Transportation	0	640,615	0	85,657	726,272
General Government	956,148	0	0	52,513	1,008,661
Capital Outlay	4,824	0	0	0	4,824
Debt Service:					
Principal Retirement	0	0	634,215	0	634,215
Interest and Fiscal Charges	0	0	122,657	0	122,657
<i>Total Cash Disbursements</i>	<u>3,481,910</u>	<u>714,951</u>	<u>756,872</u>	<u>225,126</u>	<u>5,178,859</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(294,565)</u>	<u>123,406</u>	<u>(756,872)</u>	<u>42,196</u>	<u>(885,835)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	0	0	919	919
Transfers In	110	2,588	0	0	2,698
Transfers Out	(2,656)	0	0	0	(2,656)
Advances In	50,000	0	0	0	50,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>47,454</u>	<u>2,588</u>	<u>0</u>	<u>919</u>	<u>50,961</u>
<i>Net Change in Fund Cash Balances</i>	<u>(247,111)</u>	<u>125,994</u>	<u>(756,872)</u>	<u>43,115</u>	<u>(834,874)</u>
<i>Fund Cash Balances, January 1 Restated - See Note 16</i>	<u>4,645,753</u>	<u>1,134,408</u>	<u>5,489,261</u>	<u>137,099</u>	<u>11,406,521</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,398,642</u></u>	<u><u>\$1,260,402</u></u>	<u><u>\$4,732,389</u></u>	<u><u>\$180,214</u></u>	<u><u>\$10,571,647</u></u>

See accompanying notes to the financial statements

Village of Lordstown, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Types
For the Year Ended December 31, 2021

	Total Enterprise
Operating Cash Receipts	
Charges for Services	\$6,022,557
Fines, Licenses and Permits	101,020
Miscellaneous	14,082
	6,137,659
<i>Total Operating Cash Receipts</i>	<i>6,137,659</i>
Operating Cash Disbursements	
Personal Services	272,333
Employee Fringe Benefits	89,579
Contractual Services	438,521
Supplies and Materials	4,498,076
	5,298,509
<i>Total Operating Cash Disbursements</i>	<i>5,298,509</i>
<i>Operating Income (Loss)</i>	<i>839,150</i>
Non-Operating Receipts (Disbursements)	
Sale of Capital Assets	1,933
Lordstown Water Distribution System Receipts (See Note 13)	12,765,464
Lordstown Water Distribution System Disbursements (See Note 13)	(7,018,046)
Capital Outlay	(962,121)
	4,787,230
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>4,787,230</i>
<i>Income (Loss) before Transfers and Advances</i>	<i>5,626,380</i>
Transfers In	75
Transfers Out	(110)
Advances Out	(50,000)
	5,576,345
<i>Net Change in Fund Cash Balances</i>	<i>5,576,345</i>
<i>Fund Cash Balances, January 1</i> <i>Restated - See Note 16</i>	<i>3,478,156</i>
<i>Fund Cash Balances, December 31</i>	<i>\$9,054,501</i>

See accompanying notes to the financial statements

Village of Lordstown, Ohio
Trumbull County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Types
For the Year Ended December 31, 2021

	<u>Fiduciary Fund Types</u>		Total (Memorandum Only)
	<u>Private Purpose Trust</u>	<u>Other Custodial</u>	
Additions			
Earnings on Investments	\$7	\$0	\$7
Deposits Received	0	5,963	5,963
Amounts Held for Employees	0	14,975	14,975
<i>Total Additions</i>	<u>7</u>	<u>20,938</u>	<u>20,945</u>
Deductions			
Distribution of Deposits	0	5,963	5,963
Distribution on Behalf of Employees	0	14,975	14,975
<i>Total Deductions</i>	<u>0</u>	<u>20,938</u>	<u>20,938</u>
<i>Income (Loss) before Transfers</i>	7	0	7
Transfers Out	<u>(7)</u>	<u>0</u>	<u>(7)</u>
<i>Net Change in Fund Cash Balances</i>	0	0	0
<i>Fund Cash Balances, January 1</i>	<u>7,500</u>	<u>41,742</u>	<u>49,242</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$7,500</u></u>	<u><u>\$41,742</u></u>	<u><u>\$49,242</u></u>

See accompanying notes to the financial statements

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Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 - Reporting 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not 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 general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

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

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 To account for and report charges for services from residents to cover water service costs.

Sewer Fund To account for and report charges for services from residents to cover sewer service costs.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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).

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial funds account for employee contributions to a third party and deposits for other entities.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (C) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function/ object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 approve estimated resources.

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 2021 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

Fund Balance

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:

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

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.

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.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

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. For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,629,711	\$3,237,455	(\$392,256)
Special Revenue	662,862	840,945	178,083
Capital Projects	268,241	268,241	0
Enterprise	18,905,131	18,905,131	0
Private Purpose Trust	7	7	0
Custodial	20,938	20,938	0
Total	\$23,486,890	\$23,272,717	(\$214,173)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,245,106	\$3,526,793	\$2,718,313
Special Revenue	1,474,583	719,108	755,475
Debt Service	791,151	756,872	34,279
Capital Projects	183,170	258,653	(75,483)
Enterprise	15,227,245	20,114,030	(4,886,785)
Private Purpose Trust	82	7	75
Custodial	47,400	20,938	26,462
Total	\$23,968,737	\$25,396,401	(\$1,427,664)

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – 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>2021</u>
Demand Deposits	<u>\$19,675,390</u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village is holding \$33,239 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2021, \$4,292,630 of the Village's total bank balance of \$20,264,057 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The Village's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 60 percent resulting in the uninsured and uncollateralized balance.

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

Note 6 – Interfund Transfers and Advances

Transfers

During 2021, the general fund transferred \$2,581 and \$75 to the FEMA special revenue fund and the water enterprise fund, respectively, to support operations and to move unclaimed monies. The enterprise funds transferred \$110 to the general fund for unclaimed monies. The private purpose trust funds transferred \$7 to the cemetery special revenue fund per trust agreements.

Advances

During 2021, the sewer fund repaid an advance from 2009 to the general fund for \$50,000.

Note 7 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees, other than full-time Police Officers, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2021.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Ohio Police and Fire Retirement System

The Village’s full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2021.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission		
Tait Road Sanitary Sewer Project	\$329,475	0%
Ohio Water Development Authority Loan		
East Side Sewers I (4857)	3,305,237	2.76%
East Side Sewers II (5000)	388,978	2.86%
East Side Sewers III (5336)	317,605	2.75%
Subtotal	<u>4,011,820</u>	
Total	<u><u>\$4,341,295</u></u>	

The Ohio Public Works Commission loans relate to the Tait Road Sanitary Sewer Project. The total loan amount disbursed for this project was \$878,600. This loan is interest free and will be repaid in semi-annual installments over 20 years.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Ohio Water Development Authority (OWDA) loans relate to the East Side Sanitary Sewer Project. The original loan was approved for \$8,547,011 at an interest rate of 2.76 percent, the first supplemental loan was approved for \$1,000,000 at an interest rate of 2.86 percent and the second supplemental loan was approved for \$790,467 at an interest rate of 2.75 percent. All loans will be repaid in semi-annual installments over 20 years.

Loans are collateralized by general tax revenues and sewer receipts of the Village.

Amortization

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loans	OWDA Loans	
		Principal	Interest
2022	\$43,930	\$571,508	\$107,154
2023	43,930	587,441	91,221
2024	43,930	603,818	74,842
2025	43,930	620,654	58,008
2026	43,930	637,957	40,703
2027 - 2029	109,825	990,442	27,552
Total	<u>\$329,475</u>	<u>\$4,011,820</u>	<u>\$399,480</u>

Note 11 – 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.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Fund Balances	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable:					
Unclaimed Monies	\$7,055	\$0	\$0	\$0	\$7,055
Outstanding Encumbrances	42,227	4,157	0	33,527	79,911
<i>Total</i>	<u>\$49,282</u>	<u>\$4,157</u>	<u>\$0</u>	<u>\$33,527</u>	<u>\$86,966</u>

The fund balance of special revenue funds are either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – Lordstown Water Distribution System Improvements

The Village has entered into a Master Agreement (Agreement) for the funding of engineering and construction costs with Ultium Cells, LLC as of September 21, 2020. The Parties are entering into this Agreement to make clear the mutual commitments with respect to engineering and construction of the infrastructure: (i) install a new 3.0 million gallon elevated water tank, booster pumping station and related site improvements to support its construction and operations, (ii) extend a 24-inch water main from the existing water main on Tod Avenue to the new elevated water tank, (iii) extend a 24-inch water main from the new elevated water tank to the south to provide service to the Development Project and other potential customers, (iv) make necessary adjustments to the Mahoning Valley Sanitary District (MVSD) meter vault and (v) provide coordination services during design and construction of the Trumbull County Sanitary Engineer’s waste water system improvements when such services are needed to protect the Village of Lordstown.

Prior to undertaking any necessary engineering and/or construction activities for Designated Improvements, the Parties shall mutually establish an overall spending budget and associated payment schedule. The Developer will fully fund such agreed to budget with payments to complete the scope of work associated with the Designated Improvements. The Village will therefore have sufficient cashflow to complete the Designated Improvements and not have to secure interim financing.

The Parties have agreed to an overall spending budget and payment schedule to complete the necessary engineering and construction activities for the Designated Improvements. Payments will be made by Ultium pursuant to purchase orders, net twenty days after Ultium’s receipt of an applicable invoice as set forth below.

Probable Total Opinion of Project Construction Costs:

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

	Estimated Cost
Project Description:	
Elevate Water Tank	\$5,647,000
Site Improvements	775,000
Water Main and Off-Site Improvements	3,078,000
Subtotal for Water Distribution System Improvements	9,500,000
Contingencies at 10%	950,000
Engineering, Construction and Inspections	2,342,000
Total Estimated Costs	\$12,792,000

As of the end of 2021, Ultium, LLC made the following reimbursements to the Village:

Amount	Costs
\$13,167,904	Construction
983,820	Engineering
260,000	Property
340,000	Miscellaneous
\$14,751,724	

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

Note 15 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water, Capital Improvement, and Covid Ohio Department of Jobs and Family Services funds by \$5,099,076, \$129,693 and \$7,443, respectively, at the end of 2021.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 16 – Restatement of Cash Balance

At December 31, 2020, the Village had an overstatement in cash. This change had the following effect on cash balance for December 31, 2020:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
December 31, 2020					
Cash Balance	\$4,697,558	\$1,145,948	\$5,489,261	\$137,099	\$11,469,866
Overstatement of Cash from Prior Year	<u>(51,805)</u>	<u>(11,540)</u>	<u>0</u>	<u>0</u>	<u>(63,345)</u>
December 31, 2020					
Cash Balance - Restated	<u>\$4,645,753</u>	<u>\$1,134,408</u>	<u>\$5,489,261</u>	<u>\$137,099</u>	<u>\$11,406,521</u>

	<u>Enterprise</u>	<u>Private Purpose Trust</u>	<u>Custodial</u>	<u>Total</u>
December 31, 2020				
Cash Balance	\$3,485,054	\$7,500	\$41,742	\$3,534,296
Overstatement of Cash from Prior Year	<u>(6,898)</u>	<u>0</u>	<u>0</u>	<u>(6,898)</u>
December 31, 2020				
Cash Balance - Restated	<u>\$3,478,156</u>	<u>\$7,500</u>	<u>\$41,742</u>	<u>\$3,527,398</u>

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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Village of Lordstown, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$151,477	\$0	\$0	\$0	\$151,477
Municipal Income Tax	1,571,567	146,728	0	0	1,718,295
Intergovernmental	91,037	509,053	0	30,887	630,977
Charges for Services	404,537	13,990	0	0	418,527
Fines, Licenses and Permits	502,692	1,967	0	0	504,659
Contributions, Gifts, and Donations	4,100	0	0	0	4,100
Earnings on Investments	60,044	13,747	0	0	73,791
Miscellaneous	659	682	0	5,383	6,724
<i>Total Cash Receipts</i>	<u>2,786,113</u>	<u>686,167</u>	<u>0</u>	<u>36,270</u>	<u>3,508,550</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,769,495	1,470	0	70,922	1,841,887
Public Health Services	27,453	197,127	0	0	224,580
Leisure Time Activities	180,546	0	0	0	180,546
Community Environment	367,721	0	0	1,765	369,486
Transportation	0	576,915	0	0	576,915
General Government	999,133	0	0	6,925	1,006,058
Capital Outlay	4,536	0	0	0	4,536
Debt Service:					
Principal Retirement	0	0	597,169	0	597,169
Interest and Fiscal Charges	0	0	137,737	0	137,737
<i>Total Cash Disbursements</i>	<u>3,348,884</u>	<u>775,512</u>	<u>734,906</u>	<u>79,612</u>	<u>4,938,914</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(562,771)</u>	<u>(89,345)</u>	<u>(734,906)</u>	<u>(43,342)</u>	<u>(1,430,364)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	0	0	615	615
Transfers In	15	88	0	0	103
<i>Total Other Financing Receipts (Disbursements)</i>	<u>15</u>	<u>88</u>	<u>0</u>	<u>615</u>	<u>718</u>
<i>Net Change in Fund Cash Balances</i>	<u>(562,756)</u>	<u>(89,257)</u>	<u>(734,906)</u>	<u>(42,727)</u>	<u>(1,429,646)</u>
<i>Fund Cash Balances, January 1</i>	<u>5,260,314</u>	<u>1,235,205</u>	<u>6,224,167</u>	<u>179,826</u>	<u>12,899,512</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,697,558</u></u>	<u><u>\$1,145,948</u></u>	<u><u>\$5,489,261</u></u>	<u><u>\$137,099</u></u>	<u><u>\$11,469,866</u></u>

See accompanying notes to the financial statements

Village of Lordstown, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Types
For the Year Ended December 31, 2020

	Total Enterprise
Operating Cash Receipts	
Charges for Services	\$5,256,231
Fines, Licenses and Permits	83,573
Miscellaneous	16,814
	5,356,618
<i>Total Operating Cash Receipts</i>	<i>5,356,618</i>
Operating Cash Disbursements	
Personal Services	220,753
Employee Fringe Benefits	74,699
Contractual Services	375,954
Supplies and Materials	4,204,164
	4,875,570
<i>Total Operating Cash Disbursements</i>	<i>4,875,570</i>
<i>Operating Income (Loss)</i>	<i>481,048</i>
Non-Operating Receipts (Disbursements)	
Lordstown Water Distribution System Receipts (See Note 13)	1,986,260
Lordstown Water Distribution System Disbursements (See Note 13)	(417,604)
Capital Outlay	(785,452)
	783,204
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>783,204</i>
<i>Income (Loss) before Transfers</i>	<i>1,264,252</i>
Transfers Out	(15)
	1,264,237
<i>Net Change in Fund Cash Balances</i>	<i>1,264,237</i>
<i>Fund Cash Balances, January 1</i>	<i>2,220,817</i>
<i>Fund Cash Balances, December 31</i>	<i>\$3,485,054</i>

See accompanying notes to the financial statements

Village of Lordstown, Ohio
Trumbull County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Types
For the Year Ended December 31, 2020

	<u>Fiduciary Fund Types</u>		Total (Memorandum Only)
	<u>Private Purpose Trust</u>	<u>Other Custodial</u>	
Additions			
Earnings on Investments	\$88	\$0	\$88
Deposits Received	0	6,058	6,058
Amounts Held for Employees	0	18,821	18,821
<i>Total Additions</i>	<u>88</u>	<u>24,879</u>	<u>24,967</u>
Deductions			
Distribution of Deposits	0	1,100	1,100
Distribution on Behalf of Employees	0	18,821	18,821
<i>Total Deductions</i>	<u>0</u>	<u>19,921</u>	<u>19,921</u>
<i>Income (Loss) before Transfers</i>	88	4,958	5,046
Transfers Out	<u>(88)</u>	<u>0</u>	<u>(88)</u>
<i>Net Change in Fund Cash Balances</i>	0	4,958	4,958
<i>Fund Cash Balances, January 1</i>	<u>7,500</u>	<u>36,784</u>	<u>44,284</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$7,500</u></u>	<u><u>\$41,742</u></u>	<u><u>\$49,242</u></u>

See accompanying notes to the financial statements

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Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not 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 general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

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

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 To account for and report charges for services from residents to cover water service costs.

Sewer Fund To account for and report charges for services from residents to cover sewer service costs.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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).

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial funds account for employee contributions to a third party and deposits for other entities.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (C) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function/ object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 approve estimated resources.

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 2020 budgetary activity appears in Note 3.

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 money market mutual funds at cost.

Capital Assets

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

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.

Fund Balance

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:

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

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.

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.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

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. For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,990,234	\$2,786,128	(\$204,106)
Special Revenue	686,256	686,255	(1)
Capital Projects	36,886	36,885	(1)
Enterprise	7,342,874	7,342,878	4
Private Purpose Trust	88	88	0
Custodial	24,879	24,879	0
Total	\$11,081,217	\$10,877,113	(\$204,104)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,028,472	\$3,388,505	\$3,639,967
Special Revenue	1,693,165	777,120	916,045
Debt Service	791,151	734,906	56,245
Capital Projects	210,713	103,573	107,140
Enterprise	8,570,643	6,288,146	2,282,497
Private Purpose Trust	435	88	347
Custodial	34,950	19,921	15,029
Total	\$18,329,529	\$11,312,259	\$7,017,270

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – 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:

	2020
Demand Deposits	<u>\$15,004,162</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2020, \$2,847,429 of the Village’s total bank balance of \$15,222,693 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The Village’s financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Interfund Transfers

During 2020, the enterprise funds transferred \$15 to the general fund for unclaimed monies. The private purpose trust funds transferred \$88 to the cemetery special revenue fund per trust agreements.

Note 7 - Risk Management

Workers’ Compensation coverage is provided by the State of Ohio. The Village pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees, other than full-time Police Officers, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2020.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2020</i>	<i>10%</i>	<i>14%</i>

Ohio Police and Fire Retirement System

The Village’s full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2020.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2015- December 31, 2020</i>	<i>12.25%</i>	<i>19.5%</i>

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission		
Phase IV Sanitary Sewer: Force Main & Lift Station	\$3,427	0%
Phase IV Sanitary Sewer Project	30,853	0%
Tait Road Sanitary Sewer Project	373,405	0%
Subtotal	<u>407,685</u>	
Ohio Water Development Authority Loan		
East Side Sewers I (4857)	3,763,470	2.76%
East Side Sewers II (5000)	442,701	2.86%
East Side Sewers III (5336)	361,654	2.75%
Subtotal	<u>4,567,825</u>	
Total	<u><u>\$4,975,510</u></u>	

The Ohio Public Works Commission loans relate to two Phase IV Sanitary Sewer Line Improvement projects and the Tait Road Sanitary Sewer Project. The total loan amount disbursed for these projects was \$2,249,788. The loans are interest free and will be repaid in semi-annual installments over 20 years.

The Ohio Water Development Authority (OWDA) loans relate to the East Side Sanitary Sewer Project. The original loan was approved for \$8,547,011 at an interest rate of 2.76 percent, the first supplemental loan was approved for \$1,000,000 at an interest rate of 2.86 percent and the second supplemental loan was approved for \$790,467 at an interest rate of 2.75 percent. All loans will be repaid in semi-annual installments over 20 years.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Loans are collateralized by general tax revenues and sewer receipts of the Village.

Amortization

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC	OWDA Loans	
	Loans	Principal	Interest
2021	\$78,210	\$556,005	\$122,657
2022	43,930	571,508	107,154
2023	43,930	587,441	91,221
2024	43,930	603,818	74,842
2025	43,930	620,654	58,008
2026 - 2028	153,755	1,628,399	68,254
Total	<u>\$407,685</u>	<u>\$4,567,825</u>	<u>\$522,136</u>

Note 11 – 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.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable:					
Unclaimed Monies	\$5,298	\$0	\$0	\$0	\$5,298
Outstanding Encumbrances	39,621	1,608	0	23,960	65,189
<i>Total</i>	<u>\$44,919</u>	<u>\$1,608</u>	<u>\$0</u>	<u>\$23,960</u>	<u>\$70,487</u>

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The fund balance of special revenue funds are either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – Lordstown Water Distribution System Improvements

The Village has entered into a Master Agreement (Agreement) for the funding of engineering and construction costs with Ultium Cells, LLC as of September 21, 2020. The Parties are entering into this Agreement to make clear the mutual commitments with respect to engineering and construction of the infrastructure: (i) install a new 3.0 million gallon elevated water tank, booster pumping station and related site improvements to support its construction and operations, (ii) extend a 24-inch water main from the existing water main on Tod Avenue to the new elevated water tank, (iii) extend a 24-inch water main from the new elevated water tank to the south to provide service to the Development Project and other potential customers, (iv) make necessary adjustments to the Mahoning Valley Sanitary District (MVSD) meter vault and (v) provide coordination services during design and construction of the Trumbull County Sanitary Engineer’s waste water system improvements when such services are needed to protect the Village of Lordstown.

Prior to undertaking any necessary engineering and/or construction activities for Designated Improvements, the Parties shall mutually establish an overall spending budget and associated payment schedule. The Developer will fully fund such agreed to budget with payments to complete the scope of work associated with the Designated Improvements. The Village will therefore have sufficient cashflow to complete the Designated Improvements and not have to secure interim financing.

The Parties have agreed to an overall spending budget and payment schedule to complete the necessary engineering and construction activities for the Designated Improvements. Payments will be made by Ultium pursuant to purchase orders, net twenty days after Ultium’s receipt of an applicable invoice as set forth below.

Probable Total Opinion of Project Construction Costs:

	Estimated Cost
Project Description:	
Elevate Water Tank	\$5,647,000
Site Improvements	775,000
Water Main and Off-Site Improvements	3,078,000
Subtotal for Water Distribution System Improvements	9,500,000
Contingencies at 10%	950,000
Engineering, Construction and Inspections	2,342,000
Total Estimated Costs	\$12,792,000

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2020

As of the end of 2020, Ultium, LLC made the following reimbursements to the Village:

<u>Amount</u>	<u>Costs</u>
\$402,440	Construction
983,820	Engineering
260,000	Property
<u>340,000</u>	Miscellaneous
<u>\$1,986,260</u>	

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, all \$187,069 was spent on Village purposes. These amounts are reflected as public health expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 15 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

This had no effect on the beginning cash balance in the Fund Types.

OHIO AUDITOR OF STATE KEITH FABER



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

Village of Lordstown
Trumbull County
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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Lordstown, Trumbull County, (the Village) and have issued our report thereon dated October 17, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-002 that we consider to be a material weakness.

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 financial statement. 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 an instance of noncompliance and another matter we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2020-001.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 17, 2022

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 and 2020**

1. Expenditures Exceed Appropriations

FINDING NUMBER 2021-001

NONCOMPLIANCE

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from expending money unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Village may not exceed appropriations at the legal level for all funds.

At the end of 2021, the Village's Water Fund expenditures exceeded appropriations by \$5,099,076, the Capital Improvement Fund expenditures exceeded appropriations by \$129,693, and the Village's Covid Ohio Department of Jobs and Family Services Fund expenditures exceeded appropriations by \$7,443.

The Village entered appropriations into its system. However, it did not generate reports to compare the expenditures versus the appropriations. Not monitoring expenditures and appropriations can lead to overspending.

The Village did not have adequate controls in place to prevent or detect these errors.

The Village should verify that all expenditures have proper appropriation authority prior to expending funds and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to help maintain compliance with the above requirements. Furthermore, management should review their accounting system and determine if reports can be generated at the legal level of control adopted by Council to help improve internal control and help avoid noncompliance.

Official's Response: The Village will make sure all encumbered amounts are appropriated.

2. Financial Reporting

FINDING NUMBER 2021-002

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In 2020, the Village did not include appropriations amendments in the budgetary note disclosure appropriation authority amounts. This omission resulted in an understatement of the general, special revenue, capital project, and enterprise fund type appropriation authority in the amounts of \$93,339, \$186,302, \$30,887, and \$1,771,121 respectively.

In 2020, the Village did not include encumbrances outstanding at year end in the budgetary presentation expenditures. This omission resulted in an understatement for the general, special revenue, capital projects, and enterprise fund type budgetary expenditures in the amounts of \$39,621, \$1,608, \$23,961, and \$209,505 respectively.

In 2021, the Village did not include appropriations amendments in the budgetary note disclosure appropriation authority amount. This omission resulted in an understatement of the capital project fund type appropriation authority in the amounts of \$54,210.

The Village has corrected in budgetary note disclosures for the errors above.

The Village did not have adequate controls in place to prevent or detect these errors.

The Village should review the accounting system reports, compilation workpapers, and basic financial statements as applicable to help ensure all amounts are properly classified and recorded.

Official's Response: The Village will try to do better moving forward.



Village of Lordstown

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Office of the Mayor

Village Council

Office of the Clerk

Office of the Treasurer

Board of Public Affairs

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 and 2020

Water Department

Zoning Department

Zoning Board of Appeals

Street Department

Income Tax Department

Parks Department

Recreation Department

Planning Commission

Buildings & Grounds
 Department

Transportation Department

Finding Number	Finding Summary	Status	Additional Information
2019-001	Finding for Recovery against Treasurer for \$1,648.	Partially Corrected. Reissued in the Management Letter	Treasurer still owes \$1,487
2019-002	Expenditures exceeded appropriations	Not Corrected. Reissued as 2021-001	
2019-003	Appropriations Exceeded Estimated Resources	Partially Corrected. Reissued in the Management Letter	
2019-004	Reporting errors	Not Corrected. Reissued as 2021-002	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LORDSTOWN

TRUMBULL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/6/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov