



Mary Taylor, CPA
Auditor of State

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Lordstown
Trumbull County
1455 Salt Springs Road, S.W.
Lordstown, Ohio 44481-9658

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 19, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lordstown
Trumbull County
1455 Salt Springs Road, S.W.
Lordstown, Ohio 44481-9658

To the Village Council:

We have audited the accompanying financial statements of Village of Lordstown, Trumbull County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Lordstown, Trumbull County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 19, 2008

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$230,318				\$230,318
Municipal Income Tax		\$5,106,565			5,106,565
Intergovernmental	188,008	205,571			393,579
Special Assessments		648			648
Charges for Services	193,349	22,100			215,449
Fines, Licenses and Permits	61,099	760			61,859
Earnings on Investments	151,784	51,611			203,395
Miscellaneous	23,483	2,590		\$4,223	30,296
Total Cash Receipts	<u>848,041</u>	<u>5,389,845</u>	<u>0</u>	<u>4,223</u>	<u>6,242,109</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,278,473	10,027			1,288,500
Public Health Services	26,790	14,981			41,771
Leisure Time Activities	221,974	250			222,224
Community Environment	110,072	879			110,951
Transportation		694,805			694,805
General Government	934,630	108,268			1,042,898
Debt Service:					
Redemption of Principal			90,524		90,524
Capital Outlay				2,552,802	2,552,802
Total Cash Disbursements	<u>2,571,939</u>	<u>829,210</u>	<u>90,524</u>	<u>2,552,802</u>	<u>6,044,475</u>
Total Receipts Over/(Under) Disbursements	<u>(1,723,898)</u>	<u>4,560,635</u>	<u>(90,524)</u>	<u>(2,548,579)</u>	<u>197,634</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				715,861	715,861
Sale of Fixed Assets				3,936	3,936
Transfers-In	2,065,337	344,678	50,052	2,624,971	5,085,038
Transfers-Out	(79,465)	(5,005,227)			(5,084,692)
Total Other Financing Receipts / (Disbursements)	<u>1,985,872</u>	<u>(4,660,549)</u>	<u>50,052</u>	<u>3,344,768</u>	<u>720,143</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	261,974	(99,914)	(40,472)	796,189	917,777
Fund Cash Balances, January 1	940,223	519,968	925,553	1,836,182	4,221,926
Fund Cash Balances, December 31	<u>\$1,202,197</u>	<u>\$420,054</u>	<u>\$885,081</u>	<u>\$2,632,371</u>	<u>\$5,139,703</u>
Reserve for Encumbrances, December 31	<u>\$14,249</u>	<u>\$119,117</u>	<u>\$0</u>	<u>\$432,527</u>	<u>\$565,893</u>

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$1,158,950			\$1,158,950
Fines, Licenses and Permits	12,118			12,118
Earnings on Investments		\$606		606
Miscellaneous	7,283			7,283
Total Operating Cash Receipts	<u>1,178,351</u>	<u>606</u>	<u>0</u>	<u>1,178,957</u>
Operating Cash Disbursements:				
Personal Services	203,350			203,350
Travel Transportation	419			419
Contractual Services	819,809			819,809
Supplies and Materials	19,582			19,582
Capital Outlay	18,949			18,949
Total Operating Cash Disbursements	<u>1,062,109</u>	<u>0</u>	<u>0</u>	<u>1,062,109</u>
Operating Income/(Loss)	<u>116,242</u>	<u>606</u>	<u>0</u>	<u>116,848</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	116,242	606	0	116,848
Transfers-In			161	161
Transfers-Out	(125)	(382)		(507)
Net Receipts Over/(Under) Disbursements	116,117	224	161	116,502
Fund Cash Balances, January 1	<u>295,403</u>	<u>3,882</u>	<u>1,331</u>	<u>300,616</u>
Fund Cash Balances, December 31	<u>\$411,520</u>	<u>\$4,106</u>	<u>\$1,492</u>	<u>\$417,118</u>
Reserve for Encumbrances, December 31	<u>\$148,112</u>	<u>\$0</u>	<u>\$0</u>	<u>\$148,112</u>

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

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$200,275				\$200,275
Municipal Income Tax		\$3,564,271			3,564,271
Intergovernmental	197,604	203,745		\$325,588	726,937
Special Assessments		740			740
Charges for Services	212,956	26,255			239,211
Fines, Licenses and Permits	56,445	868			57,313
Earnings on Investments	95,100	35,434			130,534
Miscellaneous	6,409	1,185		21,750	29,344
Total Cash Receipts	768,789	3,832,498	0	347,338	4,948,625
Cash Disbursements:					
Current:					
Security of Persons and Property	1,225,543	14,337			1,239,880
Public Health Services	23,694	11,467			35,161
Leisure Time Activities	201,762	400			202,162
Community Environment	124,204	337			124,541
Basic Utility Service		420			420
Transportation		654,691			654,691
General Government	819,255	85,904			905,159
Debt Service:					
Redemption of Principal			68,559		68,559
Capital Outlay				988,705	988,705
Total Cash Disbursements	2,394,458	767,556	68,559	988,705	4,219,278
Total Receipts Over/(Under) Disbursements	(1,625,669)	3,064,942	(68,559)	(641,367)	729,347
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Fixed Assets		3,000		11,338	14,338
Transfers-In	1,866,666	511,615		1,305,781	3,684,062
Transfers-Out	(200,157)	(3,482,372)			(3,682,529)
Total Other Financing Receipts / (Disbursements)	1,666,509	(2,967,757)	0	1,317,119	15,871
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	40,840	97,185	(68,559)	675,752	745,218
Fund Cash Balances, January 1	899,383	422,783	994,112	1,160,430	3,476,708
Fund Cash Balances, December 31	\$940,223	\$519,968	\$925,553	\$1,836,182	\$4,221,926
Reserve for Encumbrances, December 31	\$22,372	\$95,830	\$0	\$843,819	\$962,021

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

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$1,202,560			\$1,202,560
Fines, Licenses and Permits	16,115			16,115
Miscellaneous	6,528	\$382		6,910
Total Operating Cash Receipts	1,225,203	382	0	1,225,585
Operating Cash Disbursements:				
Personal Services	208,045			208,045
Travel Transportation	952			952
Contractual Services	830,598			830,598
Supplies and Materials	14,875			14,875
Capital Outlay	15,914			15,914
Total Operating Cash Disbursements	1,070,384	0	0	1,070,384
Operating Income/(Loss)	154,819	382	0	155,201
Non-Operating Cash Receipts:				
Other Non-Operating Cash Receipts			632	632
Total Non-Operating Cash Receipts	0	0	632	632
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	154,819	382	632	155,833
Transfers-In			293	293
Transfers-Out		(226)	(1,600)	(1,826)
Net Receipts Over/(Under) Disbursements	154,819	156	(675)	154,300
Fund Cash Balances, January 1	140,584	3,726	2,006	146,316
Fund Cash Balances, December 31	\$295,403	\$3,882	\$1,331	\$300,616
Reserve for Encumbrances, December 31	\$2,231	\$0	\$0	\$2,231

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, 2007 AND 2006**

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 governs the Village. The Village provides water utilities, park operations, and police services. The Village appropriates general fund money to support a 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 Auditor of State prescribes or permits.

C. Cash 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 deposit and Repurchase Agreements (SWEEP accounts) at cost. STAR Ohio is recorded at share values the mutual funds reports.

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

3. Debt Service Fund

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

Debt Service Fund - This fund is used to pay off the Ohio Public Works Commission Issue II) Loans, except for the Tait Road Sanitary Sewer Improvement Project.

Debt Service Fund- Tait Sewer Fund - This fund is used to pay off the 0% loan from the Ohio Public Works Commission for the Tait Road Sanitary Sewer Improvement 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 - This fund receives proceeds from income tax collections. The proceeds are used to make sewer line improvements, for vehicle replacement, to resurface roads, and make major alterations to buildings.

Waterline (Federal Share) Fund - This fund receives monies from the Federal Government for water line improvements to the Village's water utility transmission system.

Waterline (State Share) Fund - This fund receives monies from the State for water line improvements to the Village's water utility transmission system.

Sidewalks (Federal Share) Fund - This fund receives monies from the Federal Government for sidewalk improvements in the Village.

Tait Sewer (Local Share) Fund - This fund receives money from the Ohio Public Works Commission for the Tait Road Sanitary Sewer Improvements Project.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 Fund:

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

6. Fiduciary Funds (Trust and Agency Funds)

Fiduciary funds include private purpose trust funds and agency fund. 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 has two private purpose trust funds: the Yeager Endowment and the Lee Endowment and the Unclaimed Monies Agency Fund.

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, function or object 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 2007 and 2006 budgetary activity appears in Note 3.

F. 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.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$224,508	\$291,217
Certificates of deposit	100,000	100,000
Total deposits	324,508	391,217
STAR Ohio	1,699,087	1,615,654
Repurchase agreement (SWEEP accounts)	3,533,226	2,515,671
Total investments	5,232,313	4,131,325
Total deposits and investments	\$5,556,821	\$4,522,542

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 SWEEP 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 repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,913,380	\$2,913,378	(\$2)
Special Revenue	5,734,723	5,734,523	(200)
Debt Service	50,052	50,052	0
Capital Projects	3,584,843	3,348,991	(235,852)
Enterprise	1,178,349	1,178,351	2
Fiduciary	606	606	0
Total	\$13,461,953	\$13,225,901	(\$236,052)

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,625,166	\$2,665,653	\$959,513
Special Revenue	6,130,954	5,953,554	177,400
Debt Service	90,524	90,524	0
Capital Projects	4,571,344	2,985,329	1,586,015
Enterprise	1,354,616	1,210,346	144,270
Fiduciary	638	382	256
Total	<u>\$15,773,242</u>	<u>\$12,905,788</u>	<u>\$2,867,454</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,660,275	\$2,635,455	(\$24,820)
Special Revenue	4,347,110	4,347,113	3
Debt Service	0	0	0
Capital Projects	1,664,458	1,664,457	(1)
Enterprise	1,225,204	1,225,203	(1)
Fiduciary	382	382	0
Total	<u>\$9,897,429</u>	<u>\$9,872,610</u>	<u>(\$24,819)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,384,077	\$2,616,987	\$767,090
Special Revenue	4,647,958	4,345,758	302,200
Debt Service	68,559	68,559	0
Capital Projects	3,740,628	1,832,524	1,908,104
Enterprise	1,300,112	1,072,615	227,497
Fiduciary	226	226	0
Total	<u>\$13,141,560</u>	<u>\$9,936,669</u>	<u>\$3,204,891</u>

4. 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.

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX – (Continued)

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one-half 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.

The ½% municipal income tax is levied, as the result of passage on July 1, 1977, of Ordinance Number 41-77.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	856,992	0%
Total	\$856,992	

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

The Village has another OPWC loan for the Tait Road Sanitary Sewer Project, and an OWDA loan for the Eastside Sanitary Sewer Improvement Project. Neither of these projects have been finalized, therefore no amortization schedule will be provided.

The Village's taxing authority collateralizes these loans.

Amortization of the above debt follows:

Year ending December 31:	OPWC Loans
2008	68,559
2009	68,559
2010	68,559
2011	68,559
2012	68,559
2013-2020	514,197
Total	\$856,992

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RETIREMENT SYSTEMS

The Village's full-time police officers belong to the Ohio Police and Fire Pension Funds (OP&F). The other full-time Village employees and all part-time Village employees belong to the Ohio Public Employees Retirement System (OPERS). Both OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code prescribes the contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their annual covered salary and the Village contributed 19.5%. Whereas for 2007 and 2006, OPERS participants contributed 9.5% and 9% of their annual covered salary and the Village contributed 13.85% and 13.7% respectively. The Village has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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, S.W.
Lordstown, Ohio 44481

To the Village Council:

We have audited the financial statements of the Village of Lordstown, Trumbull County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 19, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Village's management in a separate letter dated September 19, 2008.

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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, Village Council.

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

Mary Taylor, CPA
Auditor of State

September 19, 2008



Mary Taylor, CPA
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
DECEMBER 2, 2008**