



Dave Yost • Auditor of State



VILLAGE OF LORDSTOWN  
TRUMBULL COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of cash balances, receipts, and disbursements by fund type and related notes of the Village of Lordstown, Trumbull County, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lordstown, Trumbull County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 2, 2016

**VILLAGE OF LORDSTOWN  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$119,223				\$119,223
Municipal Income Tax	1,952,185	\$514,697	\$1,801,440	\$1,029,394	5,297,716
Intergovernmental	80,792	224,661		1,722,731	2,028,184
Special Assessments		1,772			1,772
Charges for Services	263,165	13,432			276,597
Fines, Licenses and Permits	112,704	951			113,655
Contributions, Gifts, and Donations	6,355				6,355
Earnings on Investments	15,211	3,829			19,040
Rental	6,000				6,000
Miscellaneous	889	12,067		23,053	36,009
<i>Total Cash Receipts</i>	<u>2,556,524</u>	<u>771,409</u>	<u>1,801,440</u>	<u>2,775,178</u>	<u>7,904,551</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,590,644	7,294		597,077	2,195,015
Public Health Services	19,229	15,461			34,690
Leisure Time Activities	201,138			36,192	237,330
Community Environment	163,200			4,236	167,436
Transportation		755,904		1,758,636	2,514,540
General Government	1,160,938				1,160,938
Capital Outlay				1,747,951	1,747,951
Debt Service:					
Principal Retirement			546,535		546,535
Interest and Fiscal Charges			207,732		207,732
<i>Total Cash Disbursements</i>	<u>3,135,149</u>	<u>778,659</u>	<u>754,267</u>	<u>4,144,092</u>	<u>8,812,167</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(578,625)</u>	<u>(7,250)</u>	<u>1,047,173</u>	<u>(1,368,914)</u>	<u>(907,616)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Proceeds of OWDA Loans			16,810		16,810
Transfers In	235	51			286
<i>Total Other Financing Receipts</i>	<u>235</u>	<u>51</u>	<u>16,810</u>		<u>17,096</u>
<i>Net Change in Fund Cash Balances</i>	<u>(578,390)</u>	<u>(7,199)</u>	<u>1,063,983</u>	<u>(1,368,914)</u>	<u>(890,520)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,663,841</u>	<u>747,526</u>	<u>6,223,665</u>	<u>2,844,271</u>	<u>12,479,303</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	1,059				1,059
Restricted		718,327	7,287,648	1,475,357	9,481,332
Committed		22,000			22,000
Assigned	44,639				44,639
Unassigned (Deficit)	2,039,753				2,039,753
<i>Fund Cash Balances, December 31</i>	<u>\$2,085,451</u>	<u>\$740,327</u>	<u>\$7,287,648</u>	<u>\$1,475,357</u>	<u>\$11,588,783</u>

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

VILLAGE OF LORDSTOWN  
TRUBULL COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type		Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)	
<b>Operating Cash Receipts</b>					
Charges for Services	\$1,778,655				\$1,778,655
Fines, Licenses and Permits	6,716				6,716
Earnings on Investments (trust funds only)			\$45		45
Miscellaneous	13,405	\$28,743			42,148
<i>Total Operating Cash Receipts</i>	<u>1,798,776</u>	<u>28,743</u>	<u>45</u>		<u>1,827,564</u>
<b>Operating Cash Disbursements</b>					
Personal Services	242,531				242,531
Employee Fringe Benefits	84,557				84,557
Contractual Services	117,596	27,376			144,972
Supplies and Materials	1,167,797				1,167,797
<i>Total Operating Cash Disbursements</i>	<u>1,612,481</u>	<u>27,376</u>			<u>1,639,857</u>
<i>Operating Income</i>	<u>186,295</u>	<u>1,367</u>	<u>45</u>		<u>187,707</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Special Assessments	64				64
Capital Outlay	(124,944)				(124,944)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(124,880)</u>				<u>(124,880)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	61,415	1,367	45		62,827
Transfers In	8,302				8,302
Transfers Out	(8,537)		(51)		(8,588)
<i>Net Change in Fund Cash Balances</i>	61,180	1,367	(6)		62,541
<i>Fund Cash Balances, January 1</i>	<u>2,136,538</u>	<u>35,892</u>	<u>7,551</u>		<u>2,179,981</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,197,718</u>	<u>\$37,259</u>	<u>\$7,545</u>		<u>\$2,242,522</u>

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

**VILLAGE OF LORDSTOWN  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$117,003				\$117,003
Municipal Income Tax	1,699,226	\$311,973	\$2,183,812	\$2,183,812	6,378,823
Intergovernmental	82,415	219,543		490,129	792,087
Special Assessments		1,239			1,239
Charges for Services	163,074	14,194			177,268
Fines, Licenses and Permits	239,335	310			239,645
Contributions, Gifts and Donations	5,680		38,247	25,000	68,927
Earnings on Investments	19,308	5,555			24,863
Miscellaneous	41,769	10,909		8,769	61,447
<i>Total Cash Receipts</i>	<u>2,367,810</u>	<u>563,723</u>	<u>2,222,059</u>	<u>2,707,710</u>	<u>7,861,302</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,507,010	6,585		647,130	2,160,725
Public Health Services	27,149	11,370			38,519
Leisure Time Activities	180,054			11,801	191,855
Community Environment	121,723			16,068	137,791
Transportation		701,930		137,060	838,990
General Government	928,805				928,805
Capital Outlay				646,701	646,701
Debt Service:					
Principal Retirement			571,449		571,449
Interest and Fiscal Charges			202,702		202,702
<i>Total Cash Disbursements</i>	<u>2,764,741</u>	<u>719,885</u>	<u>774,151</u>	<u>1,458,760</u>	<u>5,717,537</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(396,931)</u>	<u>(156,162)</u>	<u>1,447,908</u>	<u>1,248,950</u>	<u>2,143,765</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		16			16
<i>Total Other Financing Receipts</i>		<u>16</u>			<u>16</u>
<i>Net Change in Fund Cash Balances</i>	<u>(396,931)</u>	<u>(156,146)</u>	<u>1,447,908</u>	<u>1,248,950</u>	<u>2,143,781</u>
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>3,060,772</u>	<u>903,672</u>	<u>4,775,757</u>	<u>1,595,321</u>	<u>10,335,522</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	363				363
Restricted		725,526	6,223,665	2,812,735	9,761,926
Committed		22,000			22,000
Assigned	19,323				19,323
Unassigned (Deficit)	2,644,155			31,536	2,675,691
<i>Fund Cash Balances, December 31</i>	<u>\$2,663,841</u>	<u>\$747,526</u>	<u>\$6,223,665</u>	<u>\$2,844,271</u>	<u>\$12,479,303</u>

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

**VILLAGE OF LORDSTOWN  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type		Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)	
<b>Operating Cash Receipts</b>					
Charges for Services	\$1,797,334				\$1,797,334
Fines, Licenses and Permits	14,082				14,082
Earnings on Investments (trust funds only)			\$50		50
Miscellaneous	17,918	\$23,173			41,091
<i>Total Operating Cash Receipts</i>	<u>1,829,334</u>	<u>23,173</u>	<u>50</u>		<u>1,852,557</u>
<b>Operating Cash Disbursements</b>					
Personal Services	218,621				218,621
Employee Fringe Benefits	67,326				67,326
Contractual Services	101,073	21,958			123,031
Supplies and Materials	1,067,667				1,067,667
<i>Total Operating Cash Disbursements</i>	<u>1,454,687</u>	<u>21,958</u>			<u>1,476,645</u>
<i>Operating Income (Loss)</i>	<u>374,647</u>	<u>1,215</u>	<u>50</u>		<u>375,912</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Other Financing Sources	275,000				275,000
Special Assessments	9				9
Sale of Capital Assets	177				177
Capital Outlay	(419,503)				(419,503)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(144,317)</u>				<u>(144,317)</u>
<i>Income before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	230,330	1,215	50		231,595
Transfers In	156,383				156,383
Transfers Out	(156,383)		(16)		(156,399)
<i>Net Change in Fund Cash Balances</i>	230,330	1,215	34		231,579
<i>Fund Cash Balances, January 1</i>	<u>1,906,208</u>	<u>34,677</u>	<u>7,517</u>		<u>1,948,402</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,136,538</u>	<u>\$35,892</u>	<u>\$7,551</u>		<u>\$2,179,981</u>

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

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

**2. 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 Fund – To account for and report that portion of the State gasoline tax and motor vehicle registration fees for street maintenance and repair.

**3. 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.

**4. 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.

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

**6. Fiduciary Funds**

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

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

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

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function/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 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 2015 and 2014 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2015	2014
Demand deposits	\$6,796,870	\$7,638,349
Certificates of deposit	0	2,000,000
Money Market	7,034,435	5,020,935
Total deposits and investments	\$13,831,305	\$14,659,284

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

At December 31, 2015, \$4,597,578 of deposits were not insured or collateralized, contrary to Ohio law.

**Investments:** Investments are not evidenced by securities that exist in physical or book-entry form. The Village's financial institution transfers securities to the agent to collateralize repurchase agreements. The securities are not in the Village's name.

**3. Budgetary Activity**

Budgetary activity for the years ending 2015 and 2014 are as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,571,704	\$2,556,759	(\$14,945)
Special Revenue	922,004	771,460	(150,544)
Debt Service	1,801,439	1,818,250	16,811
Capital Projects	2,775,178	2,775,178	0
Enterprise	1,807,141	1,807,142	1
Fiduciary	28,788	28,788	0
Total	\$9,906,254	\$9,757,577	(\$148,677)

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,768,825	\$3,179,788	\$1,589,037
Special Revenue	1,295,958	950,185	345,773
Debt Service	963,897	754,267	209,630
Capital Projects	4,644,567	4,144,092	500,475
Enterprise	3,608,784	1,745,962	1,862,822
Fiduciary	31,194	27,427	3,767
Total	\$15,313,225	\$10,801,721	\$4,511,504

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,404,197	\$2,367,810	(\$36,387)
Special Revenue	703,123	563,742	(139,381)
Debt Service	2,183,812	2,222,059	38,247
Capital Projects	2,707,710	2,707,710	0
Enterprise	2,260,904	2,260,903	(1)
Fiduciary	23,225	23,223	(2)
Total	\$10,282,971	\$10,145,447	(\$137,524)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,092,687	\$2,784,064	\$2,308,623
Special Revenue	1,401,796	741,885	659,911
Debt Service	1,497,788	774,151	723,637
Capital Projects	3,802,963	1,458,760	2,344,203
Enterprise	3,223,017	2,030,573	1,192,444
Fiduciary	26,835	21,974	4,861
Total	\$15,045,086	\$7,811,407	\$7,233,679

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

**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.

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 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.

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
<b>Ohio Public Works Commission</b>		
Phase IV Sanitary Sewer: Force Main & Lift Station	\$34,268	0%
Phase IV Sanitary Sewer Project	308,529	0%
Tait Road Sanitary Sewer Project	571,090	0%
Subtotal	913,887	
<b>Ohio Water Development Authority Loan</b>		
East Side Sewers I (4857)	5,875,350	2.76%
East Side Sewers II (5000)	689,580	2.86%
East Side Sewers III (5336)	538,941	2.75%
Subtotal	7,103,871	
Total	\$8,017,758	

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

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

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

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

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

Year ending December 31:	OPWC
2015	\$112,489
2016	112,490
2017	112,489
2018	112,490
2019	112,489
2020-2024	219,650
2025-2028	131,790
Total	\$913,887

Year ending December 31:	OWDA	
	Principal	Interest
2015	\$446,155	\$184,813
2016	458,602	166,366
2017	471,395	153,573
2018	484,545	140,423
2019	498,062	126,906
2020-2024	2,706,642	418,196
2025-2028	1,499,529	62,888
Total	\$6,564,930	\$1,253,165

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

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

**7. RETIREMENT SYSTEMS**

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

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&amp;F- full time police</i>	<i>July 1, 2013- June 30, 2014</i>	<i>10.75%</i>	<i>19.5%</i>
<i>OP&amp;F- full time police</i>	<i>July 1, 2014- June 30, 2015</i>	<i>11.5%</i>	<i>19.5%</i>
<i>OP&amp;F- full time police</i>	<i>July 1, 2015- June 30, 2016</i>	<i>12.25%</i>	<i>19.5%</i>
<i>PERS – Local</i>	<i>2008-2015</i>	<i>10%</i>	<i>14%</i>

The Village has paid all contributions required through December 31, 2015.

**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.

**9. 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.

**VILLAGE OF LORDSTOWN**  
**TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
*(Continued)*

**10. INTERFUND TRANSFERS**

During 2015, total fund transfers amounted to \$8,588. The private purpose trust funds transferred \$51 to the Cemetery special revenue fund. The Water Deposit and Sewer Deposit enterprise funds transferred \$235 to the General fund. The Water Operating fund transferred \$8,302 to the Capital Contribution enterprise fund for capital outlay expenditures.

During 2014, total fund transfers amounted to \$156,399. The private purpose trust funds transferred \$16 to the Cemetery special revenue fund. The Water Operating fund transferred \$156,383 to the Capital Contribution enterprise fund for capital outlay expenditures.

**11. PRIOR PERIOD ADJUSTMENT**

The Village has elected to report the income tax fund in the General Fund, instead of as a Special Revenue Fund, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. Therefore, a restatement to the General and Special Revenue fund balances is required. The restatement is as follows:

	General Fund	Special Revenue Funds
Balance as of December 31, 2013	\$3,059,772	\$904,672
Income Tax Fund Balance	1,000	(1,000)
Restated Balance as of January 1, 2014	\$3,060,772	\$903,672



# Dave Yost • Auditor of State

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

Village of Lordstown  
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 and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type, of the Village of Lordstown, Trumbull County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated August 2, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2015-002 and 2015-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-001 and 2015-004 described in the accompanying schedule of findings to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 2, 2016

**VILLAGE OF LORDSTOWN  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

**1. Accounting System Updates**

<i>Finding Number</i>	2015-001
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**SIGNIFICANT DEFICIENCY**

Appropriations recorded in the Village computer system did not agree with appropriations legislatively established by Council in 2014 and 2015. This may cause the financial statements to be misleading.

Fiscal Year	Appropriation Measure Total	Accounting System Total	Variances
2014	\$15,045,086	\$13,135,726	\$1,909,360
2015	15,313,225	13,228,691	2,084,534

The Village lacked procedures to help ensure the accounting system reflected approved appropriations.

The Village should record all budgetary data, including amendments, into the accounting system. The Budgetary Statements should be prepared using approved/budgeted receipts, appropriations, and encumbrances as well as budgetary data from the accounting system.

**2. Budgeting for OPWC and ODOT Receipts and Disbursements**

<i>Finding Number</i>	2015-002
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**MATERIAL WEAKNESS**

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

During 2014, the Village was the beneficiary of Ohio Public Works Commission (OPWC) monies that were paid directly to the vendor by OPWC for grants for the Capital Improvement fund in the amount of \$31,536; however, the Village recorded the receipt but did not post the disbursement until 2015. During 2015, the Village received on-behalf OPWC monies that were paid directly to the vendor by OPWC for grants for the Capital Improvement fund in the amount of \$133,265; however, the Village did not post any receipts or disbursements for this activity. The financial statements were not corrected for these insignificant errors.

**2. Budgeting for OPWC and ODOT Receipts and Disbursements (Continued)**

<i>Finding Number</i>	2015-002 (Continued)
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Additionally during in 2014, the Village was the beneficiary of Ohio Department of Transportation (ODOT) monies that were paid directly to the vendor by ODOT for grants in the amount of \$473,095; the Village did post receipts totaling \$458,593; however, the Village did not post the disbursement of \$458,593 until 2015. A total of \$14,502 was neither posted as a receipt or a disbursement for this related ODOT project. In 2015, the Village received on-behalf ODOT monies that were paid directly to the vendor by ODOT for grants for the Capital Improvement fund; the Village did not post any receipts or disbursements totaling \$11,399 for this activity. The financial statements were corrected for the \$458,593 material error but not for the other insignificant errors.

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

**3. Financial Statement Errors**

<i>Finding Number</i>	2015-003
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**MATERIAL WEAKNESS**

Ohio Administrative Code Chapter 117-2-01 provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process affected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives over the reliability of financial reporting.

In 2015, the Village's financial statements did not properly present some receipts and disbursements. As a result, the following adjustments were made to the financial statements:

Amount	Presented As	Adjusted to
\$ 149,526	Special Revenue Income Tax Receipts	General Fund Income Tax Receipts
149,526	Special Revenue General Government Disbursements	General Fund General Government Disbursements
198,425	Capital Projects General Government Disbursements	Capital Projects Capital Outlay Disbursements

**3. Financial Statement Errors (Continued)**

In 2014, the Village's financial statements did not properly present some receipts and disbursements. As a result, the following adjustments were made to the financial statements:

Amount	Presented As	Adjusted to
\$143,414	General Fund Charges for Services Receipts	General Fund License, Fines, and Permits Receipts
40,961	General Fund Charges for Services Receipts	General Fund Miscellaneous Receipts
139,277	Special Revenue Income Tax Receipts	General Fund Income Tax Receipts
789,528	General Fund Transportation Disbursements	General Fund General Government Disbursements
701,930	Special Revenue Basic Utility Services Disbursements	Special Revenue Community Environment Disbursements
139,277	Special Revenue Transportation Disbursements	General Fund General Government Disbursements
90,761	Capital Projects General Government Disbursements	Capital Projects Capital Outlay Disbursements

The adjustments in 2015 and 2014 from the Special Revenue Funds to the General Fund were needed to report the income tax fund activity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions.

The Village Clerk should review the financial statements for completeness, accuracy, classification and understanding.

**4. Bank to Book Reconciliations**

<i>Finding Number</i>	2015-004
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**SIGNIFICANT DEFICIENCY**

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. This includes ensuring that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious, as well as ensuring that all account balances and transactions that should be included in the financial records are included. To achieve these assertions, management should consider the following internal controls:

- Ensuring all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.
- Verifying the existence and valuation of assets and periodically reconcile them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

#### 4. Bank to Book Reconciliations (Continued)

During 2014 and 2015, the Village prepared bank versus book reconciliations each month that were presented to Council as being reconciled. However, these reconciliations were not always complete and accurate. While testing the year-end reconciliations, we noted the following:

- The Village Treasurer does not perform the reconciliations timely. Throughout 2014 and 2015 the reconciliations are completed between the third and fourth week of the following month. Numerous revisions were required between the Village Clerk's office and the Treasurer in order to determine the correct fund balances. As of December 31, 2014 and December 31, 2015, there were amounts on the reconciliations the two offices could not agree upon and other errors that revealed the Village reconciliations were not accurate.
- The December 31, 2014 bank reconciliations had the following errors: The Treasurer carried an incorrect bank balance on his reconciliation. An incorrect interest amount was also recorded. Several adjusting factors were on the reconciliations that the Village Clerk's office was not in agreement with. Some voided checks were included in the Treasurer's outstanding checklist. After recalculating the reconciliations with the correct information, the Village was not reconciled and this caused the book balance to be greater than the bank balance by \$2,212.
- The December 31, 2015 bank reconciliations had the following errors: The Treasurer carried an incorrect bank balance on his reconciliation. An incorrect interest amount was also recorded. Outstanding checks that had been cashed and/or voided were included in the Treasurer's outstanding checklist. Several adjusting factors were used on the reconciliations that the Village Clerk's office was not in agreement with. After recalculating the reconciliations with the correct information, the Village was not reconciled and this caused the book balance to be greater than the bank balance by \$1,139.

Unreconciled bank to book balances, in addition to uncorrected reconciling items, and lack of review can potentially lead to misstated book balances and could lead to possible theft or errors without the timely detection by management. The Village should take steps to help ensure all accounts are reconciled on a monthly basis and any unreconciled variances are investigated and corrected in a timely manner. The Village should additionally take steps to alleviate or adjust outstanding reconciling items after being fully investigated and approved by the Village Finance Committee or Village Council. As a monitoring control, the monthly bank reconciliation and any fund balance adjustments should be reviewed and evidenced as approved by an individual with appropriate fiscal authority.

**Official's Response:** Village officials chose not to respond.

**VILLAGE OF LORDSTOWN  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	EMS Rates not up to date with TPA	Yes	Finding No Longer Valid
2013-002	Improper recording of On-Behalf-of receipts/disbursements	No	See 2015-002
2013-003	The Village did not always encumber funds at the time of commitment	Yes	Finding No Longer Valid

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# Dave Yost • Auditor of State

VILLAGE OF LORDSTOWN

TRUMBULL COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 20, 2016