



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LORDSTOWN
TRUMBULL COUNTY
DECEMBER 31, 2019 and 2018

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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 Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lordstown, Trumbull County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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 Society'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 Society's internal control. Accordingly, we express no such 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 2 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, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Village of Lordstown, Trumbull County, as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 12 to the 2019 financial statements, the financial impact of COVID-19 and the emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2020, 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.

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

Keith Faber
Auditor of State

Columbus, Ohio

July 8, 2020

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Village of Lordstown, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|--------------------|--------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$149,526 | \$0 | \$0 | \$0 | \$149,526 |
| Municipal Income Tax | 1,918,501 | 188,728 | 0 | 0 | 2,107,229 |
| Intergovernmental | 73,545 | 277,077 | 0 | 400 | 351,022 |
| Special Assessments | 0 | 2,296 | 0 | 0 | 2,296 |
| Charges for Services | 337,386 | 11,922 | 0 | 0 | 349,308 |
| Fines, Licenses and Permits | 306,185 | 1,439 | 0 | 0 | 307,624 |
| Contributions, Gifts, and Donations | 6,185 | 0 | 0 | 0 | 6,185 |
| Earnings on Investments | 235,012 | 69,177 | 0 | 0 | 304,189 |
| Miscellaneous | 769 | 100 | 0 | 5,806 | 6,675 |
| <i>Total Cash Receipts</i> | <u>3,027,109</u> | <u>550,739</u> | <u>0</u> | <u>6,206</u> | <u>3,584,054</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 1,791,271 | 7,166 | 0 | 121,576 | 1,920,013 |
| Public Health Services | 25,710 | 12,593 | 0 | 0 | 38,303 |
| Leisure Time Activities | 261,411 | 0 | 0 | 0 | 261,411 |
| Community Environment | 263,701 | 0 | 0 | 32,777 | 296,478 |
| Transportation | 0 | 506,493 | 0 | 2,746 | 509,239 |
| General Government | 961,240 | 0 | 0 | 86,268 | 1,047,508 |
| Capital Outlay | 4,746 | 0 | 0 | 0 | 4,746 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 638,741 | 0 | 638,741 |
| Interest and Fiscal Charges | 0 | 0 | 152,409 | 0 | 152,409 |
| <i>Total Cash Disbursements</i> | <u>3,308,079</u> | <u>526,252</u> | <u>791,150</u> | <u>243,367</u> | <u>4,868,848</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(280,970)</u> | <u>24,487</u> | <u>(791,150)</u> | <u>(237,161)</u> | <u>(1,284,794)</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Sale of Capital Assets | 0 | 0 | 0 | 745 | 745 |
| Transfers In | 2,000,138 | 453 | 0 | 0 | 2,000,591 |
| Transfers Out | 0 | 0 | 0 | (2,000,000) | (2,000,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>2,000,138</u> | <u>453</u> | <u>0</u> | <u>(1,999,255)</u> | <u>1,336</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>1,719,168</u> | <u>24,940</u> | <u>(791,150)</u> | <u>(2,236,416)</u> | <u>(1,283,458)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>3,541,146</u> | <u>1,210,265</u> | <u>7,015,317</u> | <u>2,416,242</u> | <u>14,182,970</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | 5,380 | 0 | 0 | 0 | 5,380 |
| Restricted | 0 | 1,235,205 | 6,224,167 | 179,826 | 7,639,198 |
| Assigned | 4,800,058 | 0 | 0 | 0 | 4,800,058 |
| Unassigned | 454,876 | 0 | 0 | 0 | 454,876 |
| <i>Fund Cash Balances, December 31</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> |

See accompanying notes to the financial statements

Village of Lordstown, Ohio
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, 2019

| | Proprietary | Fiduciary Fund Types | | Totals |
|---|--------------------|----------------------|-----------------------|--------------------|
| | Fund Type | | | (Memorandum Only) |
| | Enterprise | Custodial | Private Purpose Trust | |
| Operating Cash Receipts | | | | |
| Charges for Services | \$5,667,340 | \$0 | \$0 | \$5,667,340 |
| Fines, Licenses and Permits | 51,182 | 0 | 0 | 51,182 |
| Earnings on Investments (trust funds only) | 0 | 0 | 453 | 453 |
| Miscellaneous | 24,100 | 25,005 | 0 | 49,105 |
| <i>Total Operating Cash Receipts</i> | <u>5,742,622</u> | <u>25,005</u> | <u>453</u> | <u>5,768,080</u> |
| Operating Cash Disbursements | | | | |
| Personal Services | 240,499 | 0 | 0 | 240,499 |
| Employee Fringe Benefits | 80,489 | 0 | 0 | 80,489 |
| Contractual Services | 325,045 | 25,055 | 0 | 350,100 |
| Supplies and Materials | 4,295,575 | 0 | 0 | 4,295,575 |
| <i>Total Operating Cash Disbursements</i> | <u>4,941,608</u> | <u>25,055</u> | <u>0</u> | <u>4,966,663</u> |
| <i>Operating Income (Loss)</i> | <u>801,014</u> | <u>(50)</u> | <u>453</u> | <u>801,417</u> |
| Non-Operating Receipts (Disbursements) | | | | |
| Sale of Capital Assets | 1,142 | 0 | 0 | 1,142 |
| Capital Outlay | (691,345) | 0 | 0 | (691,345) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(690,203)</u> | <u>0</u> | <u>0</u> | <u>(690,203)</u> |
| <i>Income (Loss) before Transfers</i> | <u>110,811</u> | <u>(50)</u> | <u>453</u> | <u>111,214</u> |
| Transfers Out | (138) | 0 | (453) | (591) |
| <i>Net Change in Fund Cash Balances</i> | <u>110,673</u> | <u>(50)</u> | <u>0</u> | <u>110,623</u> |
| <i>Fund Cash Balances, January 1</i> | <u>2,110,144</u> | <u>36,834</u> | <u>7,500</u> | <u>2,154,478</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$2,220,817</u> | <u>\$36,784</u> | <u>\$7,500</u> | <u>\$2,265,101</u> |

See accompanying notes to the financial statements

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 and fiduciary fund types which are 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, 2019

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 (D). 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 (D) 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, 2019

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 2019 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, 2019

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

| 2019 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$5,229,909 | \$5,027,247 | (\$202,662) |
| Special Revenue | 551,192 | 551,192 | 0 |
| Capital Projects | 6,950 | 6,951 | 1 |
| Enterprise | 5,743,699 | 5,743,764 | 65 |
| Private Purpose Trust | 453 | 453 | 0 |
| Custodial | 25,005 | 25,005 | 0 |
| Total | \$11,557,208 | \$11,354,612 | (\$202,596) |

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$5,254,482 | \$3,308,079 | \$1,946,403 |
| Special Revenue | 1,430,097 | 526,252 | 903,845 |
| Debt Service | 791,151 | 791,150 | 1 |
| Capital Projects | 2,416,242 | 2,243,367 | 172,875 |
| Enterprise | 3,967,542 | 5,633,091 | (1,665,549) |
| Private Purpose Trust | 478 | 453 | 25 |
| Custodial | 22,521 | 25,055 | (2,534) |
| Total | \$13,882,513 | \$12,527,447 | \$1,355,066 |

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water and Sewer funds by \$1,042,535 and \$920,105, respectively, at the end of 2019.

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>2019</u> |
| Demand Deposits | \$10,899,583 |
| Federal Treasury Obligation Fund | <u>4,265,030</u> |
| Total Deposits and Investments | <u><u>\$15,164,613</u></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, 2019, \$468,840 of the Village's total bank balance of \$11,005,781 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.

Investments

The Village's financial institution transfers securities to the Village's agent to collateralize money market mutual funds. The securities are not in the Village's name.

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.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

Note 6 – Interfund Transfers

During 2019, the capital projects fund transferred \$2,000,000 to the general fund with the closing of the General Motors Lordstown Plant and the discontinuation of capital projects. The enterprise funds transferred \$138 the general fund for unclaimed monies. The private purpose trust funds transferred \$453 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.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019.

| <i>Retirement Rates</i> | <i>Year</i> | <i>Member Rate</i> | <i>Employer Rate</i> |
|-------------------------|------------------|--------------------|----------------------|
| <i>OPERS – Local</i> | <i>2012-2019</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, 2019.

| <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, 2019</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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

| | Principal | Interest Rate |
|--|-------------|---------------|
| Ohio Public Works Commission | | |
| Phase IV Sanitary Sewer: Force Main & Lift Station | \$6,854 | 0% |
| Phase IV Sanitary Sewer Project | 61,706 | 0% |
| Tait Road Sanitary Sewer Project | 395,370 | 0% |
| Subtotal | 463,930 | |
| Ohio Water Development Authority Loan | | |
| East Side Sewers I (4857) | 4,209,313 | 2.76% |
| East Side Sewers II (5000) | 494,920 | 2.86% |
| East Side Sewers III (5336) | 404,516 | 2.75% |
| Subtotal | 5,108,749 | |
| Total | \$5,572,679 | |

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.

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 |
| 2020 | \$112,490 | \$540,924 | \$137,738 |
| 2021 | 43,930 | 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 - 2028 | 175,720 | 2,249,053 | 126,262 |
| Total | \$463,930 | \$5,108,749 | \$659,874 |

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 – Subsequent Event

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 ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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Village of Lordstown, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$142,229 | \$0 | \$0 | \$0 | \$142,229 |
| Municipal Income Tax | 3,886,561 | 463,782 | 0 | 452,460 | 4,802,803 |
| Intergovernmental | 52,228 | 242,839 | 0 | 0 | 295,067 |
| Charges for Services | 277,264 | 6,903 | 0 | 0 | 284,167 |
| Fines, Licenses and Permits | 136,673 | 775 | 0 | 0 | 137,448 |
| Contributions, Gifts, and Donations | 5,960 | 0 | 0 | 0 | 5,960 |
| Earnings on Investments | 173,357 | 64,687 | 0 | 0 | 238,044 |
| Miscellaneous | 5,704 | 2,390 | 0 | 31,764 | 39,858 |
| <i>Total Cash Receipts</i> | <u>4,679,976</u> | <u>781,376</u> | <u>0</u> | <u>484,224</u> | <u>5,945,576</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 1,855,463 | 8,042 | 0 | 75,064 | 1,938,569 |
| Public Health Services | 19,057 | 10,196 | 0 | 0 | 29,253 |
| Leisure Time Activities | 238,203 | 0 | 0 | 0 | 238,203 |
| Community Environment | 187,740 | 0 | 0 | 33,463 | 221,203 |
| Transportation | 0 | 642,232 | 0 | 1,000,433 | 1,642,665 |
| General Government | 1,004,552 | 0 | 0 | 89,154 | 1,093,706 |
| Capital Outlay | 5,823 | 0 | 0 | 3,105 | 8,928 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 624,469 | 0 | 624,469 |
| Interest and Fiscal Charges | 0 | 0 | 166,683 | 0 | 166,683 |
| <i>Total Cash Disbursements</i> | <u>3,310,838</u> | <u>660,470</u> | <u>791,152</u> | <u>1,201,219</u> | <u>5,963,679</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,369,138</u> | <u>120,906</u> | <u>(791,152)</u> | <u>(716,995)</u> | <u>(18,103)</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Sale of Capital Assets | 0 | 0 | 0 | 3,546 | 3,546 |
| Transfers In | 0 | 484 | 0 | 0 | 484 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>484</u> | <u>0</u> | <u>3,546</u> | <u>4,030</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>1,369,138</u> | <u>121,390</u> | <u>(791,152)</u> | <u>(713,449)</u> | <u>(14,073)</u> |
| <i>Fund Cash Balances, January 1 (Restated - See Note 14)</i> | <u>2,172,008</u> | <u>1,088,875</u> | <u>7,806,469</u> | <u>3,129,691</u> | <u>14,197,043</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | 1,376 | 0 | 0 | 0 | 1,376 |
| Restricted | 0 | 1,210,265 | 7,015,317 | 2,416,242 | 10,641,824 |
| Assigned | 61,837 | 0 | 0 | 0 | 61,837 |
| Unassigned | 3,477,933 | 0 | 0 | 0 | 3,477,933 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$3,541,146</u></u> | <u><u>\$1,210,265</u></u> | <u><u>\$7,015,317</u></u> | <u><u>\$2,416,242</u></u> | <u><u>\$14,182,970</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 (Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

| | Proprietary Fund Type | Fiduciary Fund Types | | Totals |
|---|--------------------------|----------------------|--------------------------|----------------------|
| | Enterprise | Agency | Private Purpose Trust | (Memorandum Only) |
| Operating Cash Receipts | | | | |
| Charges for Services | \$3,052,148 | \$0 | \$0 | \$3,052,148 |
| Fines, Licenses and Permits | 10,052 | 0 | 0 | 10,052 |
| Earnings on Investments (trust funds only) | 0 | 0 | 484 | 484 |
| Miscellaneous | 68,793 | 20,849 | 0 | 89,642 |
| <i>Total Operating Cash Receipts</i> | <u>3,130,993</u> | <u>20,849</u> | <u>484</u> | <u>3,152,326</u> |
| Operating Cash Disbursements | | | | |
| Personal Services | 229,446 | 0 | 0 | 229,446 |
| Employee Fringe Benefits | 87,153 | 0 | 0 | 87,153 |
| Contractual Services | 375,354 | 20,774 | 0 | 396,128 |
| Supplies and Materials | 2,298,683 | 0 | 0 | 2,298,683 |
| <i>Total Operating Cash Disbursements</i> | <u>2,990,636</u> | <u>20,774</u> | <u>0</u> | <u>3,011,410</u> |
| <i>Operating Income (Loss)</i> | <u>140,357</u> | <u>75</u> | <u>484</u> | <u>140,916</u> |
| Non-Operating Receipts (Disbursements) | | | | |
| Sale of Capital Assets | 226 | 0 | 0 | 226 |
| Lordstown Energy Plant Receipts | 459,803 | 0 | 0 | 459,803 |
| Lordstown Energy Plant Disbursements | (459,857) | 0 | 0 | (459,857) |
| Capital Outlay | (150,042) | 0 | 0 | (150,042) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(149,870)</u> | <u>0</u> | <u>0</u> | <u>(149,870)</u> |
| <i>Income (Loss) before Transfers</i> | <u>(9,513)</u> | <u>75</u> | <u>484</u> | <u>(8,954)</u> |
| Transfers Out | 0 | 0 | (484) | (484) |
| <i>Net Change in Fund Cash Balances</i> | <u>(9,513)</u> | <u>75</u> | <u>0</u> | <u>(9,438)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>2,119,657</u> | <u>36,759</u> | <u>7,500</u> | <u>2,163,916</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$2,110,144</u> | <u>\$36,834</u> | <u>\$7,500</u> | <u>\$2,154,478</u> |

See accompanying notes to the financial statements

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 and fiduciary fund types which are 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, 2018

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 fund:

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

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

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

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

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 (D). 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 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency 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, 2018

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 2018 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, 2018

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$4,866,168 | \$4,679,976 | (\$186,192) |
| Special Revenue | 640,168 | 781,860 | 141,692 |
| Capital Projects | 487,713 | 487,770 | 57 |
| Enterprise | 3,591,273 | 3,591,022 | (251) |
| Private Purpose Trust | 484 | 484 | 0 |
| Agency | 20,849 | 20,849 | 0 |
| Total | \$9,606,655 | \$9,561,961 | (\$44,694) |

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$5,012,700 | \$3,310,838 | \$1,701,862 |
| Special Revenue | 1,538,870 | 660,470 | 878,400 |
| Debt Service | 791,152 | 791,152 | 0 |
| Capital Projects | 3,937,437 | 1,201,219 | 2,736,218 |
| Enterprise | 5,545,822 | 3,600,535 | 1,945,287 |
| Private Purpose Trust | 230 | 0 | 230 |
| Agency | 24,300 | 20,774 | 3,526 |
| Total | \$16,850,511 | \$9,584,988 | \$7,265,523 |

Contrary to Ohio law, appropriation authority exceeded estimated resources in the Capital Improvement fund by \$320,030, at the end of 2018.

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:

| | |
|--------------------------------|--------------|
| | 2018 |
| Demand deposits | \$10,606,457 |
| Money Market Mutual Fund | 5,730,991 |
| Total deposits and investments | \$16,337,448 |

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, 2018, \$599,239 of the Village’s total bank balance of \$10,829,261 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.

Investments

The Village’s financial institution transfers securities to the Village’s agent to collateralize money market mutual funds. The securities are not in the Village’s name.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Note 6 – Interfund Transfers

During 2018, the private purpose trust funds transferred \$484 to the cemetery special revenue fund.

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.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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%, of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

| <i>Retirement Rates</i> | <i>Year</i> | <i>Member Rate</i> | <i>Employer Rate</i> |
|-------------------------|------------------|--------------------|----------------------|
| <i>OPERS – Local</i> | <i>2012-2018</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% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2018.

| <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, 2018</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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

| | Principal | Interest Rate |
|--|-------------|---------------|
| Ohio Public Works Commission | | |
| Phase IV Sanitary Sewer: Force Main & Lift Station | \$13,707 | 0% |
| Phase IV Sanitary Sewer Project | 123,411 | 0% |
| Tait Road Sanitary Sewer Project | 439,300 | 0% |
| Subtotal | 576,418 | |
| Ohio Water Development Authority Loan | | |
| East Side Sewers I (4857) | 4,643,101 | 2.76% |
| East Side Sewers II (5000) | 545,677 | 2.86% |
| East Side Sewers III (5336) | 446,223 | 2.75% |
| Subtotal | 5,635,001 | |
| Total | \$6,211,419 | |

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.

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 |
| 2019 | \$112,488 | \$526,252 | \$152,409 |
| 2020 | 112,490 | 540,924 | 137,738 |
| 2021 | 43,930 | 556,005 | 122,657 |
| 2022 | 43,930 | 571,508 | 107,154 |
| 2023 | 43,930 | 587,441 | 91,221 |
| 2024-2028 | 219,650 | 2,852,871 | 201,104 |
| Total | \$576,418 | \$5,635,001 | \$812,283 |

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 – Lordstown Energy Center

The Village entered into a Master Agreement (Agreement) for the funding of legal, engineering and construction costs with Clean Energy Future-Lordstown, LLC (CEF-L). This Agreement was specific to the engineering and construction of the infrastructure necessary to create both:

- i) A new potable water connection between the project site on Henn Parkway and the Village's potable water system at the top of State Route 45 and
- ii) A new connection to the Village's wastewater system from the Project site, including upgrading three lift stations.

Clean Energy Future-Lordstown, LLC built a \$910 million Lordstown Energy Center which consists of an 800 megawatt, natural gas fired, combined cycle power station plant. The plant is served by natural gas from one or multiple pipelines.

Within five years of the effective date of this Agreement, and in accordance with all provisions of this Agreement, CEF-L shall reimburse 100 percent of the cost for the Village to install seven bypass piping and valve combinations around the seven existing 24 inch valves located in the Village's 24 inch water line connecting the Village's water system to the water system owned by the Mahoning Valley Sanitary District.

The Village procured all outside legal and construction services used to construct the Designated Improvements using competitive public bidding in a manner consistent with the Village bi-laws, applicable ordinances and resolutions passed by Village Council and the Ohio Revised Code, to the extent that it is not lawfully pre-empted by the Village bi-laws. CEF-L had the right to review all bidding and construction contract documents.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

As of the end of 2018, CEF-L made the following reimbursements to the Village:

| Amount as of Dec. 31, 2017 | Received in 2018 | Amount as of Dec. 31, 2018 | Costs |
|-------------------------------|---------------------|-------------------------------|---------------|
| \$4,881,000 | \$415,790 | \$5,296,790 | Construction |
| 456,725 | 43,611 | 500,336 | Engineering |
| 19,715 | 292 | 20,007 | Legal |
| 338 | 110 | 448 | Miscellaneous |
| <u>\$5,357,778</u> | <u>\$459,803</u> | <u>\$5,817,581</u> | |

Note 13 – Contractual Commitments

As of December 31, 2018, the Village had an outstanding contract balance for a construction project with CT Consultants in the amount of \$172,904.

Note 14 – Restatement of Cash Balances

During 2018, it was determined that the underground storage tanks special revenue fund was misclassified and should be included with the general fund. This change had the following effect on the beginning balances by fund type at December 31, 2017:

| | General | Special Revenue | Debt Service | Capital Projects | Totals |
|--|--------------------|--------------------|--------------------|---------------------|---------------------|
| Cash Balance as reported at December 31, 2017 | \$2,150,008 | \$1,110,875 | \$7,806,469 | \$3,129,691 | \$14,197,043 |
| Fund Reclassification | 22,000 | (22,000) | 0 | 0 | 0 |
| Restated Cash Balance at December 31, 2017 | <u>\$2,172,008</u> | <u>\$1,088,875</u> | <u>\$7,806,469</u> | <u>\$3,129,691</u> | <u>\$14,197,043</u> |

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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 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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 8, 2020, 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 and that the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

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

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 Government's financial statements. We consider finding 2019-004 described in the accompanying schedule of findings to be a material weakness.

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 finding 2019-001 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 through 2019-003.

Village's Response to Findings

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

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

July 8, 2020

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 and 2018**

FINDING NUMBER 2019-001

Bank Reconciliations

FINDING FOR RECOVERY, NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Village Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Clerk and Council are responsible for reviewing the reconciliations and related support.

During 2018 and 2019, the Village Treasurer prepared bank versus book reconciliations each month that were presented to the Clerk and Finance Committee as being reconciled. However, these reconciliations were not always complete and accurate. The Village Clerk's office notified the Treasurer of reconciliation differences throughout both years but the Treasurer did not always respond to the notifications nor investigate the differences fully in order for the book balances to be completely reconciled to the adjusted bank balances. Upon review and testing of the December 31, 2018 and 2019 reconciliations, we concluded based on the support provided to us, that total fund balances exceeded the adjusted bank balances in the amounts of \$6,076 and \$6,509, respectively. Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

On June 29, 2020, the Treasurer provided us with an updated December 31, 2019 reconciliation that showed total fund balances exceeded the adjusted bank balances in the amount of \$1,648. Upon review and testing, we determined that difference to be correct.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against George Ebling, Village Treasurer, and the Midwest Trumco Insurance Agency, his bonding company, in the amount of \$1,648 and in favor of the Village of Lordstown General Fund.

The Treasurer should meet with the Clerk's office in person, within 10 to 15 days after each month, to ensure all accounts are reconciled on a monthly basis to the Clerk's records and any unreconciled variances should be investigated, documented and corrected. In addition, the Village Finance Committee or Village Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response: Lists of unreconciled items are submitted with each month's reconciliation. The resolution of one of the unreconciled items that yielded a reduction of the difference of fund to bank account balances from \$6,509 to \$1,648 has resulted in the discovery of many additional unreconciled items, noted in the revised reconciliation of 06.29.20. Resolution of these items remains to be agreed upon with the Clerk's office.

FINDING NUMBER 2019-002

Expenditures Exceeded Appropriations

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 2019, the Village's water and sewer funds' expenditures exceeded appropriations by \$1,042,535 and \$920,105, respectively.

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: No response was provided.

FINDING NUMBER 2019-003

Appropriations Exceeded Estimated Resources

NONCOMPLIANCE

Ohio Revised Code 5705.39 provides the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditures therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. Appropriations shall be made from each fund only for the purposes for which such fund is established.

Ohio Revised Code 5705.40 allows for entities to amend any appropriation as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another.

At the end of 2018, the Village's capital improvement fund appropriations exceeded the estimated resources by \$320,030.

The Village did not have adequate controls in place to help prevent or detect this error.

The Village should monitor their budget balances (appropriations and estimated resources) more closely and amend such balances when needed to help ensure appropriations do not exceed the amended certificate of estimated resources.

Official's Response: No response was provided.

FINDING NUMBER 2019-004

Reporting Error

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 2018, the Village did not include prior year encumbrances in the following fund types in the appropriation authority in the notes to the financial statement:

| | |
|--------------------------|------------|
| Special Revenue funds: | \$ 38,495 |
| Capital Improvement Fund | \$ 282,583 |

The Village did not have adequate controls in place to help prevent or detect these errors. The Village has corrected their notes for these errors.

The Village should ensure it includes prior year encumbrances in its budgetary presentation in the footnotes.

Official's Response: No response was provided.

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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

Water Department

Zoning Department

Zoning Board of Appeals

Street Department

Income Tax Department

Parks Department

Recreation Department

Planning Commission

Buildings & Grounds
 Department

Transportation Department

VILLAGE OF LORDSTOWN TRUMBULL COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 and 2018

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|-------------------------|------------------------|
| 2017-001 | The Village's bank versus book reconciliations were not always complete and accurate. (finding initially occurred in 2014 audit). | Not corrected | See 2019-001 |
| 2017-002 | Expenditures exceeded appropriations. | Not corrected | See 2019-002 |
| 2017-003 | Receipts and disbursements were not recorded in the proper accounts (energy center activity). | Finding no longer valid | |

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LORDSTOWN

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 28, 2020**