



Dave Yost • Auditor of State

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY
DECEMBER 31, 2017 and 2016

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Basic Financial Statements:	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2017	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2017	4
Notes to the Basic Financial Statements	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2016	15
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016	16
Notes to the Basic Financial Statements	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Schedule of Findings.....	29
Prepared by Management:	
Summary Schedule of Prior Audit Findings	31

This page intentionally left blank.



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 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, 2017 and 2016.

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 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, 2017 and 2016, 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, 2017 and 2016, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2018, 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 1, 2018

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, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$125,511	\$0	\$0	\$0	\$125,511
Municipal Income Tax	2,481,182	514,115	0	2,313,516	5,308,813
Intergovernmental	56,283	229,938	0	660	286,881
Special Assessments	0	1,278	0	0	1,278
Charges for Services	278,194	7,350	0	0	285,544
Fines, Licenses and Permits	89,395	1,450	0	0	90,845
Contributions, Gifts, and Donations	6,660	0	0	0	6,660
Earnings on Investments	73,922	33,887	0	0	107,809
Miscellaneous	472	3,058	0	5,954	9,484
<i>Total Cash Receipts</i>	<u>3,111,619</u>	<u>791,076</u>	<u>0</u>	<u>2,320,130</u>	<u>6,222,825</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,791,461	11,346	0	175,255	1,978,062
Public Health Services	21,172	12,930	0	0	34,102
Leisure Time Activities	214,067	0	0	2,283	216,350
Community Environment	161,520	0	0	15,533	177,053
Transportation	0	613,763	0	2,993	616,756
General Government	926,056	0	0	249,505	1,175,561
Capital Outlay	4,808	0	0	185,114	189,922
Debt Service:					
Principal Retirement	0	0	610,581	0	610,581
Interest and Fiscal Charges	0	0	180,570	0	180,570
<i>Total Cash Disbursements</i>	<u>3,119,084</u>	<u>638,039</u>	<u>791,151</u>	<u>630,683</u>	<u>5,178,957</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,465)</u>	<u>153,037</u>	<u>(791,151)</u>	<u>1,689,447</u>	<u>1,043,868</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	0	0	42,850	42,850
Transfers In	15	251	0	0	266
Transfers Out	(200)	0	0	0	(200)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(185)</u>	<u>251</u>	<u>0</u>	<u>42,850</u>	<u>42,916</u>
<i>Net Change in Fund Cash Balances</i>	<u>(7,650)</u>	<u>153,288</u>	<u>(791,151)</u>	<u>1,732,297</u>	<u>1,086,784</u>
<i>Fund Cash Balances, January 1</i>	<u>2,157,658</u>	<u>957,587</u>	<u>8,597,620</u>	<u>1,397,394</u>	<u>13,110,259</u>
Fund Cash Balances, December 31					
Nonspendable	1,566	0	0	0	1,566
Restricted	0	1,088,875	7,806,469	3,129,691	12,025,035
Committed	0	22,000	0	0	22,000
Assigned	1,816,927	0	0	0	1,816,927
Unassigned	331,515	0	0	0	331,515
<i>Fund Cash Balances, December 31</i>	<u>\$2,150,008</u>	<u>\$1,110,875</u>	<u>\$7,806,469</u>	<u>\$3,129,691</u>	<u>\$14,197,043</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, 2017

	Proprietary Fund Type	Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$1,554,421	\$0	\$0	\$1,554,421
Fines, Licenses and Permits	19,312	0	0	19,312
Earnings on Investments (trust funds only)	0	0	250	250
Miscellaneous	25,351	17,289	0	42,640
<i>Total Operating Cash Receipts</i>	<u>1,599,084</u>	<u>17,289</u>	<u>250</u>	<u>1,616,623</u>
Operating Cash Disbursements				
Personal Services	251,485	0	0	251,485
Employee Fringe Benefits	90,466	0	0	90,466
Contractual Services	212,375	17,339	0	229,714
Supplies and Materials	1,089,908	0	0	1,089,908
<i>Total Operating Cash Disbursements</i>	<u>1,644,234</u>	<u>17,339</u>	<u>0</u>	<u>1,661,573</u>
<i>Operating Income (Loss)</i>	<u>(45,150)</u>	<u>(50)</u>	<u>250</u>	<u>(44,950)</u>
Non-Operating Receipts (Disbursements)				
Sale of Capital Assets	2,497	0	0	2,497
Lordstown Energy Plant Receipts	5,357,778	0	0	5,357,778
Lordstown Energy Plant Disbursements	(5,357,724)	0	0	(5,357,724)
Capital Outlay	(21,885)	0	0	(21,885)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(19,334)</u>	<u>0</u>	<u>0</u>	<u>(19,334)</u>
<i>Income (Loss) before Transfers</i>	<u>(64,484)</u>	<u>(50)</u>	<u>250</u>	<u>(64,284)</u>
Transfers In	200	0	0	200
Transfers Out	(15)	0	(251)	(266)
<i>Net Change in Fund Cash Balances</i>	<u>(64,299)</u>	<u>(50)</u>	<u>(1)</u>	<u>(64,350)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,183,956</u>	<u>36,809</u>	<u>7,501</u>	<u>2,228,266</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,119,657</u></u>	<u><u>\$36,759</u></u>	<u><u>\$7,500</u></u>	<u><u>\$2,163,916</u></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, 2017

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, 2017

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, 2017

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 2017 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, 2017

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 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,001,905	\$3,111,634	\$109,729
Special Revenue	704,990	791,327	86,337
Capital Projects	1,597,410	2,362,980	765,570
Enterprise	7,039,543	6,959,259	(80,284)
Private Purpose Trust	130	250	120
Fiduciary	22,435	17,289	(5,146)
Total	\$12,366,413	\$13,242,739	\$876,326

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,938,055	\$3,119,284	\$1,818,771
Special Revenue	1,572,510	638,039	934,471
Debt Service	791,151	791,151	0
Capital Projects	2,729,510	630,683	2,098,827
Enterprise	8,938,543	7,023,858	1,914,685
Private Purpose Trust	130	251	(121)
Fiduciary	54,335	17,339	36,996
Total	\$19,024,234	\$12,220,605	\$6,803,629

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:

	2017
Demand deposits	\$10,608,860
Money Market Mutual Fund	5,752,099
Total deposits and investments	\$16,360,959

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in 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.

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, 2017

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 2017, total fund transfers amounted to \$466. The private purpose trust funds transferred \$251 to the cemetery special revenue fund. The water deposit enterprise fund transferred \$15 to the general fund (unclaimed money). The general fund transferred \$200 to the utility trust funds.

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, 2017

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, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2017</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, 2017.

<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, 2017</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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission		
Phase IV Sanitary Sewer: Force Main & Lift Station	\$20,561	0%
Phase IV Sanitary Sewer Project	185,117	0%
Tait Road Sanitary Sewer Project	483,230	0%
Subtotal	688,908	
Ohio Water Development Authority Loan		
East Side Sewers I (4857)	5,065,160	2.76%
East Side Sewers II (5000)	595,013	2.86%
East Side Sewers III (5336)	486,807	2.75%
Subtotal	6,146,980	
Total	\$6,835,888	

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
2018	\$112,489	\$511,979	\$166,683
2019	112,490	526,252	152,409
2020	112,489	540,924	137,738
2021	43,930	556,005	122,656
2022	43,930	571,508	107,155
2023-2027	219,650	3,105,616	287,691
2028	43,930	334,696	4,633
Total	\$688,908	\$6,146,980	\$978,965

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 has 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 is 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 is building a \$910 million Lordstown Energy Center which consists of an 800 megawatt, natural gas fired, combined cycle power station plant. The plant will be served by natural gas from one or multiple pipelines.

Utilities (water and sewer) and public infrastructure improvements are estimated to cost \$6,290,750 along with \$876,815 in corresponding engineering services. 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 will procure 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 will have 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, 2017

As of the end of 2017, CEF-L made the following reimbursements to the Village:

<u>Amount</u>	<u>Costs</u>
\$4,881,000	Construction
456,725	Engineering
19,715	Legal
338	Miscellaneous
<u>\$5,357,778</u>	

Note 13 – Contractual Commitments

As of December 31, 2017, the Village had the following contract balances for construction projects outstanding:

	<u>Amount Outstanding</u>
Shelly & Sands, Inc.	\$513,212
CT Consultants, Inc.	<u>206,367</u>
	<u>\$719,579</u>

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, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$119,580	\$0	\$0	\$0	\$119,580
Municipal Income Tax	2,615,201	638,154	1,970,662	1,276,308	6,500,325
Intergovernmental	87,313	237,075	0	58,075	382,463
Special Assessments	0	709	0	0	709
Charges for Services	203,596	13,168	0	0	216,764
Fines, Licenses and Permits	195,283	975	0	0	196,258
Contributions, Gifts, and Donations	5,550	0	0	0	5,550
Earnings on Investments	33,650	12,405	0	0	46,055
Miscellaneous	245	5,728	0	64,439	70,412
<i>Total Cash Receipts</i>	<u>3,260,418</u>	<u>908,214</u>	<u>1,970,662</u>	<u>1,398,822</u>	<u>7,538,116</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,635,182	10,896	0	277,336	1,923,414
Public Health Services	20,420	9,394	0	0	29,814
Leisure Time Activities	195,807	0	0	61,100	256,907
Community Environment	150,425	0	0	0	150,425
Transportation	0	670,825	0	950,500	1,621,325
General Government	1,065,000	0	0	90,045	1,155,045
Capital Outlay	8,801	0	0	97,804	106,605
Debt Service:					
Principal Retirement	0	0	571,288	0	571,288
Interest and Fiscal Charges	0	0	202,104	0	202,104
<i>Total Cash Disbursements</i>	<u>3,075,635</u>	<u>691,115</u>	<u>773,392</u>	<u>1,476,785</u>	<u>6,016,927</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>184,783</u>	<u>217,099</u>	<u>1,197,270</u>	<u>(77,963)</u>	<u>1,521,189</u>
Other Financing Receipts (Disbursements)					
Transfers In	126	161	112,702	0	112,989
Transfers Out	(112,702)	0	0	0	(112,702)
<i>Total Other Financing Receipts</i>	<u>(112,576)</u>	<u>161</u>	<u>112,702</u>	<u>0</u>	<u>287</u>
<i>Net Change in Fund Cash Balances</i>	72,207	217,260	1,309,972	(77,963)	1,521,476
<i>Fund Cash Balances, January 1</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>
Fund Cash Balances, December 31					
Nonspendable	1,517	0	0	0	1,517
Restricted	0	935,587	8,597,620	1,397,394	10,930,601
Committed	0	22,000	0	0	22,000
Assigned	17,723	0	0	0	17,723
Unassigned	2,138,418	0	0	0	2,138,418
<i>Fund Cash Balances, December 31</i>	<u>\$2,157,658</u>	<u>\$957,587</u>	<u>\$8,597,620</u>	<u>\$1,397,394</u>	<u>\$13,110,259</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, 2016

	Proprietary	Fiduciary Fund Types		Totals
	Fund Type			(Memorandum Only)
	Enterprise	Agency	Private Purpose Trust	
Operating Cash Receipts				
Charges for Services	\$1,733,278	\$0	\$0	\$1,733,278
Fines, Licenses and Permits	23,116	0	0	23,116
Earnings on Investments (trust funds only)	0	0	117	117
Miscellaneous	10,986	19,885	0	30,871
<i>Total Operating Cash Receipts</i>	<u>1,767,380</u>	<u>19,885</u>	<u>117</u>	<u>1,787,382</u>
Operating Cash Disbursements				
Personal Services	245,829	0	0	245,829
Employee Fringe Benefits	87,385	0	0	87,385
Contractual Services	160,436	20,335	0	180,771
Supplies and Materials	1,258,480	0	0	1,258,480
<i>Total Operating Cash Disbursements</i>	<u>1,752,130</u>	<u>20,335</u>	<u>0</u>	<u>1,772,465</u>
<i>Operating Income</i>	<u>15,250</u>	<u>(450)</u>	<u>117</u>	<u>14,917</u>
Non-Operating Receipts (Disbursements)				
Sale of Capital Assets	200	0	0	200
Lordstown Energy Plant Receipts	1,551,200	0	0	1,551,200
Lordstown Energy Plant Disbursements	(1,551,200)	0	0	(1,551,200)
Capital Outlay	(29,086)	0	0	(29,086)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(28,886)</u>	<u>0</u>	<u>0</u>	<u>(28,886)</u>
<i>Income (Loss) before Transfers</i>	<u>(13,636)</u>	<u>(450)</u>	<u>117</u>	<u>(13,969)</u>
Transfers Out	(126)	0	(161)	(287)
<i>Net Change in Fund Cash Balances</i>	<u>(13,762)</u>	<u>(450)</u>	<u>(44)</u>	<u>(14,256)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,197,718</u>	<u>37,259</u>	<u>7,545</u>	<u>2,242,522</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,183,956</u>	<u>\$36,809</u>	<u>\$7,501</u>	<u>\$2,228,266</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, 2016

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, 2016

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, 2016

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 2016 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, 2016

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 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,428,949	\$3,260,544	(\$168,405)
Special Revenue	908,375	908,375	0
Debt Service	2,083,364	2,083,364	0
Capital Projects	1,398,822	1,398,822	0
Enterprise	3,318,780	3,318,780	0
Private Purpose Trust	120	117	(3)
Fiduciary	19,885	19,885	0
Total	\$11,158,295	\$10,989,887	(\$168,408)

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,232,826	\$3,206,060	\$1,026,766
Special Revenue	1,216,168	693,515	522,653
Debt Service	737,457	773,392	(35,935)
Capital Projects	1,319,647	1,521,915	(202,268)
Enterprise	5,088,911	3,334,681	1,754,230
Private Purpose Trust	73	161	(88)
Fiduciary	55,300	20,335	34,965
Total	\$12,650,382	\$9,550,059	\$3,100,323

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:

	2016
Demand deposits	\$10,572,364
Money Market Mutual Fund	4,766,161
Total deposits and investments	\$15,338,525

Deposits

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

At December 31, 2016, \$1,528,262 of deposits were not insured or collateralized, contrary to Ohio law.

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, 2016

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 2016, total fund transfers amounted to \$112,989. The private purpose trust funds transferred \$161 to the Cemetery special revenue fund. The Water Deposit enterprise fund transferred \$126 to the General fund. The General Fund transferred \$112,702 to the OWDA Eastside Sanitary Sewer debt service 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, 2016

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, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</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, 2016.

<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, 2016</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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission		
Phase IV Sanitary Sewer: Force Main & Lift Station	\$27,414	0%
Phase IV Sanitary Sewer Project	246,824	0%
Tait Road Sanitary Sewer Project	<u>527,160</u>	0%
Subtotal	<u>801,398</u>	
Ohio Water Development Authority Loan		
East Side Sewers I (4857)	5,475,807	2.76%
East Side Sewers II (5000)	642,968	2.86%
East Side Sewers III (5336)	<u>526,297</u>	2.75%
Subtotal	<u>6,645,072</u>	
Total	<u><u>\$7,446,470</u></u>	

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

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

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
2017	\$112,489	\$498,092	\$180,570
2018	112,490	511,979	166,683
2019	112,489	526,252	152,409
2020	112,490	540,924	137,738
2021	43,930	556,005	122,656
2022-2026	219,650	3,021,379	371,928
2027-2028	<u>87,860</u>	<u>990,441</u>	<u>27,549</u>
Total	<u><u>\$801,398</u></u>	<u><u>\$6,645,072</u></u>	<u><u>\$1,159,533</u></u>

Village of Lordstown, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 has 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 is 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 is building a \$910 million Lordstown Energy Center which consists of an 800 megawatt, natural gas fired, combined cycle power station plant. The plant will be served by natural gas from one or multiple pipelines.

Utilities (water and sewer) and public infrastructure improvements are estimated to cost \$6,290,750 along with \$876,815 in corresponding engineering services. 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 will procure 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 will have the right to review all bidding and construction contract documents.

As of the end of 2016, CEF-L made the following reimbursements to the Village:

Amount	Costs
\$675,781	Construction
875,419	Legal, Engineering and Miscellaneous
\$1,551,200	

THIS PAGE INTENTIONALLY LEFT BLANK.



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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 1, 2018, 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 '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 '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 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 Village's financial statements. We consider finding 2017-003 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 2017-001 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the '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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 1, 2018

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
December 31, 2017 and 2016

1. **Book to Bank Reconciliations**

<i>Finding Number</i>	2017-001
-----------------------	----------

SIGNIFICANT DEFICIENCY

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.

During 2016 and 2017, the Village Treasurer prepared bank versus book reconciliations each month that were presented to Council as being reconciled. However, these reconciliations were not accurate, since they contained items that had already cleared or been corrected. The Treasurer did not adequately communicate with the Village Clerk's office to clear said items. After removing items from the Treasurer's reconciliations, at the end of 2017, the Village's fund balances and bank balances were still off by \$354. The Treasurer could not identify the reason for the difference.

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 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 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: If the Treasurer would come in every month, timely, we could reconcile.

2. **Expenditures Exceed Appropriations**

<i>Finding Number</i>	2017-002
-----------------------	----------

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.

In 2016, the Capital Improvement Fund expenditures exceeded appropriations by \$202,268. This instance relates to the Lordstown Energy Center Project which should have been budgeted as an enterprise fund and not as a capital projects fund. The budgetary activity note disclosure has been adjusted to show the Lordstown Energy Center Project activity as an enterprise fund.

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 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: This was a learning experience. We paid the bills and we were reimbursed for all payments.

3. Account Posting

<i>Finding Number</i>	2017-003
-----------------------	----------

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 2016, the Village recorded and reported the Lordstown Energy Center Project receipts and disbursements as Capital Projects Intergovernmental Receipts and Capital Outlay Disbursements in the amount of \$1,551,200. The amount should have been recorded and reported as Enterprise Fund Non-Operating Energy Plant Receipts and Disbursements.

The Village did not have adequate procedures in place to detect this error. The financial statements have been adjusted for the aforementioned errors.

The Village should review account postings, trial balances, and the financial statements to ensure receipts and disbursements are accurately recorded. The Village should refer to the Village Officer's Handbook for proper accounting guidance as applicable.

Official's Response: We thought since it was a Capital Improvement project it should come out of Capital Fund. We did set up its own line items for revenue and expenditures

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2017 and 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Appropriations recorded in the Village's computer system did not agree with appropriations legislatively established by Council	Finding No Longer Valid	
2015-002	Improper recording of On-Behalf-of receipts/disbursements	Finding No Longer Valid	
2015-003	The Village's financial statements did not properly present some receipts and disbursements.	Not Corrected	See 2017-003
2015-004	The Village's bank versus book reconciliations were not always complete and accurate.	Not Corrected	See 2017-001

This page intentionally left blank.



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
AUGUST, 28 2018