



**Auditor of State
Betty Montgomery**

VILLAGE OF LORDSTOWN
TRUMBULL COUNTY
JANUARY 1, 2004 THROUGH DECEMBER 31, 2004

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 1, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Lordstown, Trumbull County, (the Village) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Lordstown, Trumbull County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 1, 2005

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$180,228				\$3,512,314	\$3,692,542
Special Assessments		\$1,531				1,531
Intergovernmental Receipts	163,378	180,066		\$2,125		345,569
Charges for Services	112,196	5,975			12,106	130,277
Fines, Licenses, and Permits	67,557	831				68,388
Earnings on Investments	33,293	9,019				42,312
Miscellaneous	21,218	1,365		26,039	29	48,651
Total Cash Receipts	577,870	198,787		28,164	3,524,449	4,329,270
Cash Disbursements:						
Current:						
Security of Persons and Property	1,157,281	6,242				1,163,523
Public Health Services	21,396	12,095			350	33,841
Leisure Time Activities	172,557					172,557
Community Environment	109,964				1,095	111,059
Transportation		661,397				661,397
General Government	764,974				74,795	839,769
Debt Service:						
Principal Payments			68,559			68,559
Capital Outlay		10,435		1,370,402		1,380,837
Total Cash Disbursements	2,226,172	690,169	68,559	1,370,402	76,240	4,431,542
Total Receipts Over/(Under) Disbursements	(1,648,302)	(491,382)	(68,559)	(1,342,238)	3,448,209	(102,272)
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets				10,706		10,706
Transfers-In	1,919,151	587,628	268,467	724,471		3,499,717
Advances-In				237,324		237,324
Transfers-Out	(130,702)				(3,449,864)	(3,580,566)
Advances-Out	(237,324)					(237,324)
Total Other Financing Receipts/(Disbursements)	1,551,125	587,628	268,467	972,501	(3,449,864)	(70,143)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(97,177)	96,246	199,908	(369,737)	(1,655)	(172,415)
Fund Cash Balances, January 1	835,695	223,615	862,763	2,020,599	22,350	3,965,022
Fund Cash Balances, December 31	\$738,518	\$319,861	\$1,062,671	\$1,650,862	\$20,695	\$3,792,607
Reserves for Encumbrances, December 31	\$23,653	\$68,757	\$0	\$3,461,835	\$400	\$3,554,645

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$337,224			\$337,224
Miscellaneous	36,913	\$130		37,043
Total Operating Cash Receipts	<u>374,137</u>	<u>130</u>		<u>374,267</u>
Operating Cash Disbursements:				
Personal Services	197,402			197,402
Contractual Services	242,076			242,076
Supplies and Materials	10,830			10,830
Total Operating Cash Disbursements	<u>450,308</u>			<u>450,308</u>
Operating Income/(Loss)	<u>(76,171)</u>	<u>130</u>		<u>(76,041)</u>
Transfers-In	81,000			81,000
Transfers-Out		(151)		(151)
Net Receipts Over/(Under) Disbursements	4,829	(21)		4,808
Fund Cash Balances, January 1	<u>101,695</u>	<u>3,651</u>	<u>2,006</u>	<u>107,352</u>
Fund Cash Balances, December 31	<u>\$106,524</u>	<u>\$3,630</u>	<u>\$2,006</u>	<u>\$112,160</u>
Reserve for Encumbrances, December 31	<u>\$520</u>	<u>\$0</u>	<u>\$0</u>	<u>\$520</u>

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit and Repurchase Agreements (SWEEP Account) at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. Debt Service Fund

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

Debt Service Fund – This fund is used to pay off the Ohio Public Works Commission (Issue II) Loans.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives proceeds from income tax collections. The proceeds are being used to make sewer line improvements, vehicle replacement, resurface roads, and make major alterations to buildings.

Henn Parkway ODOD Grant Fund – This fund receives proceeds from a grant for infrastructure improvements.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

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

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004
Demand deposits	\$370,359
Certificates of deposit	100,000
Total deposits	470,359
STAR Ohio	3,369,158
Repurchase agreement (SWEEP Account)	65,250
Total investments	3,434,408
Total deposits and investments	\$3,904,767

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

SWEEP Account investments include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,497,021	\$2,497,021	\$0
Special Revenue	794,574	786,415	(8,159)
Debt Service	268,467	268,467	0
Capital Projects	3,592,506	763,341	(2,829,165)
Enterprise	455,137	455,137	0
Fiduciary	3,524,579	3,524,579	0
Total	\$11,132,284	\$8,294,960	(\$2,837,324)

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,328,381	\$2,380,527	\$947,854
Special Revenue	1,014,142	758,926	255,216
Debt Service	111,876	68,559	43,317
Capital Projects	5,606,632	4,832,237	774,395
Enterprise	513,411	450,828	62,583
Fiduciary	3,546,285	3,526,655	19,630
Total	\$14,120,727	\$12,017,732	\$2,102,995

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one-half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The ½% municipal income tax is levied, as the result of passage on July 1, 1977, of Ordinance No. 41-77.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$1,062,671	0.00%
Total	\$1,062,671	

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

The Village's taxing authority collateralizes these loans.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OPWC Loans
2005	\$68,559
2006	68,559
2007	68,559
2008	68,559
2009	68,559
2010-2020	719,876
Total	\$1,062,671

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF LORDSTOWN
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Lordstown, Trumbull County, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated August 1, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated August 1, 2005, we reported another matter related to noncompliance we deemed immaterial.

Village of Lordstown
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 1, 2005



**Auditor of State
Betty Montgomery**

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VILLAGE OF LORDSTOWN

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 13, 2005**