

VILLAGE OF LODI
MEDINA COUNTY

AUDITED FINANCIAL STATEMENTS AND
AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1998



STATE OF OHIO
OFFICE OF THE AUDITOR

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Members of Council
Village of Lodi
Lodi, Ohio 44419

We have reviewed the Independent Auditor's Report of the Village of Lodi, Medina County, prepared by Guillan & Company, for the audit period January 1, 1998 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lodi is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 17, 2000

VILLAGE OF LODI
MEDINA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditors' Report	1
Combined Statement Of Cash, Investments And Fund Cash As Of December 31, 1998	2
Combined Statement Of Cash Receipts, Disbursements And Changes In Fund Cash Balances - All Governmental Fund Types For The Year Ended December 31, 1998	3
Combined Statement Of Cash Receipts, Disbursements And Changes In Fund Cash Balances - All Proprietary Fund Types And Similar Fiduciary Funds For The Year Ended December 31, 1998	5
Combined Statement Of Cash Receipts - Budget And Actual For The Year Ended December 31, 1998	7
Combined Statement Of Cash Disbursements - Budget And Actual For The Year Ended December 31, 1998	8
Notes To Financial Statements	10
Status of Prior Audit Citations and Recommendations	24
Report on Compliance and on Internal Control Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	25
Schedule of Findings and Questioned Costs	27
General Comments	28

Guillan & Company

INDEPENDENT AUDITORS' REPORT

Members of Council
Village of Lodi
Lodi, Ohio 44419

We have audited the accompanying financial statements of the Village of Lodi, as of and for the year ended December 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the Village of Lodi's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements present fairly, in all material respects, the cash balances of the Village, as of December 31, 1998 and the related revenues and expenditures and budgeted receipts, appropriations, and encumbrances for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 14, 2000, on our consideration of the Village of Lodi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code. However, this report is a public record, and is available upon specific request.

August 14, 2000

Guillan & Company

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH
AS OF DECEMBER 31, 1998

Cash and Cash Equivalents	\$ 637,005
Investments	<u>5,471,420</u>
Total Cash and Investments	<u><u>\$ 6,108,425</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 318,844
Special Revenue Funds	292,418
Debt Service Funds	4,977
Capital Projects Funds	422,196
Proprietary Funds:	
Enterprise Funds	5,067,406
Fiduciary Funds:	
Expendible Trust Funds	2,011
Agency Fund	<u>573</u>
Total	<u><u>\$ 6,108,425</u></u>

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

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES, ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>REVENUE RECEIPTS:</u>				
Local Taxes	\$ 301,097	\$ 13,904	\$ 10,334	\$ -
Intergovernmental Revenues	172,063	157,444	-	-
Charges for Services	77,281		-	-
Fines, Licenses, Permits	13,030	1,425	-	-
Miscellaneous	254,560	13,902	-	-
Total Revenue Receipts	818,031	186,675	10,334	-
<u>EXPENDITURES:</u>				
Security of Persons and Property	360,817	38,245	-	-
Community Environment	7,801	-	-	-
Basic Utility Services	-	137,010	-	-
Transportation	54,000	895	-	-
General Government	134,815	142,368	-	-
Capital Outlay	22,949	-	-	24,523
Debt service	-	-	132,134	-
Total Expenditures	580,382	318,518	132,134	24,523
Revenues Over (Under) Expenditures	237,649	(131,843)	(121,800)	(24,523)
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	-	-	121,515	11,931
Transfers Out	(171,000)	-	-	-
Other Sources	29,341	-	-	-
Total Other Financing Sources (Uses):	(141,659)	-	121,515	11,931
Excess of Receipts and Other Financing Sources Over (Under) Expenditures and Other Uses	95,990	(131,843)	(285)	(12,592)
Fund Balance - January 1, 1998	222,854	424,261	5,262	434,788
Fund Balance - December 31, 1998	<u>\$ 318,844</u>	<u>\$ 292,418</u>	<u>\$ 4,977</u>	<u>\$ 422,196</u>

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

EXPENDABLE TRUST FUNDS	TOTALS (MEMO- RANDOM ONLY)
\$ -	\$ 325,335
-	329,507
-	77,281
-	14,455
1,519	269,981
<hr/>	
1,519	1,016,559
<hr/>	
-	399,062
-	7,801
-	137,010
-	54,895
-	277,183
-	47,472
-	132,134
<hr/>	
-	1,055,557
<hr/>	
1,519	(38,998)
<hr/>	
-	133,446
-	(171,000)
-	29,341
<hr/>	
-	(8,213)
<hr/>	
1,519	(47,211)
<hr/>	
492	1,087,657
<hr/>	
\$ 2,011	\$ 1,040,446
<hr/>	

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY
FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	PROPRIETARY FUND	FIDUCIARY FUND	TOTALS (MEMO- RANDUM ONLY)
	ENTERPRISE	AGENCY	
OPERATING REVENUES:			
Charges for Services	\$ 3,213,077	\$ -	\$ 3,213,077
Total Operating Revenues	3,213,077	-	3,213,077
OPERATING EXPENSES:			
Personal Services	564,891	-	564,891
Contractual Services	588,860	-	588,860
Materials and Supplies	1,665,778	-	1,665,778
Capital Outlay	976,530	-	976,530
Total Operating Expenses	3,796,059	-	3,796,059
Operating Income (Loss)	(582,982)	-	(582,982)
NONOPERATING REVENUES			
Other Nonoperating Revenues	55,398	-	55,398
Miscellaneous	2,038,764	15,557	2,054,321
Total Nonoperating Revenues	2,094,162	15,557	2,109,719
NONOPERATING EXPENSES			
Other Nonoperating Expenses	144,907	16,358	161,265
Total Nonoperating Expenses	144,907	16,358	161,265
Net Income (Loss) before Transfers	\$ 1,366,273	\$ (801)	\$ 1,365,472

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

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY
FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

(Continued)

	PROPRIETARY FUND	FIDUCIARY FUND	TOTALS (MEMO- RANDUM ONLY)
	ENTERPRISE	AGENCY	
Transfers In	37,554	-	37,554
Net Income (Loss)	1,403,827	(801)	1,403,026
Fund Cash Balance - January 1, 1998	3,663,579	1,374	3,664,953
Fund Cash Balance - December 31, 1998	\$ 5,067,406	\$ 573	\$ 5,067,979

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

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1998

<u>FUND TYPES/FUNDS</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>Governmental</u>			
General	\$ 745,286	\$ 847,372	\$ 102,086
Special Revenue	172,525	186,675	14,150
Debt Service	130,515	131,849	1,334
Capital Projects	46,400	11,931	(34,469)
<u>Proprietary</u>			
Enterprise	3,550,570	5,344,793	1,794,223
<u>Fiduciary</u>			
Expendable Trust Funds	-	1,519	1,519
Agency	-	15,557	15,557
Totals - (Memorandum Only)	\$ 4,645,296	\$ 6,539,696	\$ 1,894,400

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

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH DISBURSEMENTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Prior Year</u> <u>Carryover</u>		<u>1998</u> <u>Appropriations</u>	<u>Totals</u>
	<u>Appropriations</u>		<u>Appropriations</u>	<u>Totals</u>
<u>FUND TYPES/FUNDS</u>				
<u>Governmental</u>				
General	\$ -		\$ 833,550	\$ 833,550
Special Revenue	-		540,716	540,716
Debt Service	-		132,875	132,875
Capital Projects	-		434,788	434,788
<u>Proprietary</u>				
Enterprise	-		8,696,000	8,696,000
<u>Fiduciary</u>				
Nonexpendable Trust	-		-	-
Agency	-		-	-
Totals - (Memorandum Only)	\$ -		\$ 10,637,929	\$ 10,637,929

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

Actual 1998 Disbursements	Encumbrances Outstanding at 12/31/98	Totals	Variances Favorable (Unfavorable)
\$ 751,382	\$ -	\$ 751,382	\$ 82,168
318,518	-	318,518	222,198
132,134	-	132,134	741
24,523	-	24,523	410,265
3,940,967	-	3,940,967	4,755,033
-	-	-	-
16,358	-	16,358	(16,358)
\$ 5,183,882	\$ -	\$ 5,183,882	\$ 5,454,047

VILLAGE OF LODI
MEDINA COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Lodi, Medina County, (the Village) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village council is composed of six members who are elected by their respective electors or by the Village at large. The Village provides general government services, including water, sewer and electrical utilities, park operations(recreation), and police and fire services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village of Lodi prepares its financial statements on a basis of accounting prescribed or permitted by the Ohio Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Village under the basis of accounting used. This method of accounting is utilized in reporting to the State of Ohio but is not in accordance with generally accepted accounting principles. By virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting and to make appropriations for budgetary funds.

C. CASH and INVESTMENTS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the need of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

To account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. As prescribed by Ohio law, the Debt Service Fund is used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

FIDUCIARY FUNDS

Trust Funds

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. This includes the Village's Fire/Rescue Trust Fund, which is used to account for a local resident's bequest to the Village's fire and rescue departments.

Agency

This fund is used to account for activities for the Village's Mayor's Court.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 1998, unencumbered fund balances. However, those fund balances are available for appropriations.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY PROCESS (Continued)

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

F. PROPERTY, PLANT, AND EQUIPMENT

Fixed assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

2. EQUITY IN CASH AND CASH EQUIVALENT INVESTMENTS

The Village maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types as of December 31, 1998", as Cash Balances by Fund Types.

Legal Requirements.

Statutes require the classification of monies held by the Village into three categories:

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the Village.

Such moneys must be maintained either as cash in the Village's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" moneys, those moneys which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim moneys may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim monies;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

2. EQUITY IN CASH AND CASH EQUIVALENT INVESTMENTS (Continued)

Deposits.

At December 31, 1998, the carrying amount of the Village's deposits was \$637,005, and the bank balance was \$903,734. Of the bank balance, all was covered by federal depository insurance. Investments are classified into three categories to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or agent, or by its trust department or agent, but not in the Village's name.

The Village 's investments at December 31, 1998 have been classified as shown below:

	<u>Category</u> <u>3</u>	<u>Cost</u>	<u>Market</u> <u>Value</u>
Municipal Bonds	\$ 61,800	\$ 61,800	\$ 61,800
STAR Ohio	-	5,409,620	5,409,620
Total Investments	<u>\$ 61,800</u>	<u>\$5,471,420</u>	<u>\$5,471,420</u>

3. DEBT OBLIGATIONS

A listing of the changes in the debt of the Village for the year ended December 31, 1998 follows:

Special Assessment Bonds:		
Principal outstanding		\$61,800
Interest rate		8%
O.W.D.A. LOAN:		
Principal outstanding		\$298,452
Interest rate		8%

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

3. DEBT OBLIGATIONS (Continued)

General obligation bonds are direct obligations of the Village for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the Village.

The annual requirements to amortize all debt outstanding as of December 31, 1998 are as follows:

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>O.W.D.A.</u>	<u>Special Assessment</u> <u>Bonds</u>
1999	\$ 60,757	\$ 10,044
2000	121,515	9,636
2001	121,515	9,228
2002	60,757	8,820
2003	-	8,412
Thereafter	<u>-</u>	<u>47,940</u>
Total	<u>\$ 364,544</u>	<u>\$ 94,080</u>

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1998 for Medina County.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax (calendar) year 1998 was \$81.05 per \$1,000 of assessed valuation. The effective tax rate was also \$54.73 per \$1,000 of assessed valuation for all real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback deductions is reimbursed to the Village by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

Real Property - 1998 Valuation	
Residential/Agricultural	\$19,627,260
Commercial/Industrial	7,714,730
Public Utilities	74,870
Tangible Personal Property - 1998 Valuation	
General	5,504,830
Public Utilities	<u>1,199,210</u>
Total Valuation	<u>\$34,120,900</u>

The Medina County Treasurer collects property tax on behalf of all taxing districts within the county. The Medina County Auditor periodically remits to the taxing districts their portions of the taxes collected.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

5. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The Village of Lodi contributes to the Public Employees Retirement System, a multiple-employer cost sharing defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%.

B. Police and Firemen's Disability And Pension Fund

The Village of Lodi contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost-sharing multiple employer defined benefit pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to PFDPF, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

6. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credits. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on the authority granted by State statute. The employer contribution rate was 13.55 percent of which 5.11 percent was used to fund health care in 1998.

Benefits are advance-funded using the entry age normal cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Short-term securities consisting of commercial paper and U.S. treasury obligations are carried at cost, which approximates market value. Equity securities, fixed income investments, and investments in real estate are carried at market. For actuarial valuation purposes a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate of return for 1997 was 7.75%.

An annual increase of 5.25% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases over and above the 5.25% base increase, were assumed to range from 0% to 5.1%. Health care premiums were assumed to increase 5.25 percent annually.

The number of active contributing participants in the plan was 113,906 as of December 31, 1997. (The latest information available). The actual contribution and the actuarially required contribution rate are the same. The Retirement System's net assets available for payment of benefits at December 31, 1997 was \$8.292 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$8.597 million and \$1.371 million, respectively.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

6. POSTEMPLOYMENT BENEFITS (Continued)

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty two if attending school full-time or on a two thirds basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No.12. The Ohio Revised Code Chapter 742 provides that health care costs paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. Currently, 6.5 percent of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. In addition, since July 1, 1992, most retirees have been required to contribute to a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The number of participants eligible to receive health care benefits as of December 31, 1998 are for 11,239 policemen and 9,025 for firemen. The Fund's total health care expenses for the year ending December 31, 1998 was \$76,459,832.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Property/Inland Marine
- Vehicles
- General Liability
- Public Officials Liability
- Law Enforcement Liability
- Fireman's and Emergency Care Services
- Employee Dishonesty

The Village also provides health insurance coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although the outcome of these suits are not presently determinable, Village legal counsel believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

On October 30, 1996, the Village entered into a consent order with the State of Ohio agreeing to perform certain tasks in order to bring its sewage treatment plant into compliance with the water pollution laws of the State of Ohio and the requirements of the National Pollution Discharge Elimination Systems Permit issued to it by the Environmental Protection Agency. The Village has met several requirements of the consent order, including the payment of a \$5,000 penalty and progress towards building a new sewage treatment facility. The Village is currently negotiating a supplemental environment project with the Environment Protection Agency. Counsel believes there are no potential loss other than the cost of the supplemental environment project and the construction of a new sewage treatment facility.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

9. JOINT VENTURE

The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to purchase a diesel powered electric generation facility in Cuyahoga Falls, Ohio and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV1) was created for that purpose. On dissolution of the joint venture, the net assets of Omega JV1 will be shared by the participants on a percentage basis. The Omega JV1 is managed by AMP-Ohio, who acts as the joint venture's agent.

VILLAGE OF LODI
MEDINA COUNTY

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

The prior audit report for the period ending June 30, 1997 included various citations and recommendations. Each of these citations and recommendations have either been satisfied or corrected, or are reflected in the appropriate section of this report. Such citations and recommendations are denoted by an asterisk.

Guillan & Company

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of Council
Village of Lodi
Lodi, Ohio 44615

We have audited the financial statements of the Village of Lodi as of and for the year ended December 31, 1998, and have issued our report thereon dated August 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determined 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurances on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving control over financial reporting and its operations that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated August 14, 2000.

**Village of Lodi
Medina County**

This report is intended for the information and use of the audit committee, management, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

August 14, 2000

Guillan & Company

VILLAGE OF LODI
MEDINA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Lodi.
2. No reportable conditions were disclosed during the audit of the Village of Lodi's financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit of the financial statements.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

VILLAGE OF LODI
MEDINA COUNTY

GENERAL COMMENTS
DECEMBER 31, 1998

This report, including the citations and recommendations, was reviewed with and acknowledged by the following officials on August 14, 2000:

Joanne Clapp	Clerk/Treasurer
Tom Wilson	Mayor
Tom Longsdorf	Council President
Melody Miller	Council
Allen Rom	Council
Linda Lawless	Council
Brad Rice	Council
Eric Roberts	Council

These officials were informed that they had five working days for the Auditor of State from the date of the post audit conference to respond to, or contest, in writing, the report contents. No such response was received.

Village personnel were cooperative and available for questions and assistance during regular working hours.

VILLAGE OF LODI
MEDINA COUNTY

AUDITED FINANCIAL STATEMENTS AND
AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1999

VILLAGE OF LODI
MEDINA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditors' Report	1
Combined Statement Of Cash, Investments And Fund Cash As Of December 31, 1999	2
Combined Statement Of Cash Receipts, Disbursements And Changes In Fund Cash Balances - All Governmental Fund Types For The Year Ended December 31, 1999	3
Combined Statement Of Cash Receipts, Disbursements And Changes In Fund Cash Balances - All Proprietary Fund Types And Similar Fiduciary Funds For The Year Ended December 31, 1999	5
Combined Statement Of Cash Receipts - Budget And Actual For The Year Ended December 31, 1999	7
Combined Statement Of Cash Disbursements - Budget and Actual For The Year Ended December 31, 1999	8
Notes To Financial Statements	10
Status of Prior Audit Citations and Recommendations	24
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	25
Schedule of Findings and Questioned Costs	27
General Comments	28

Guillan & Company

INDEPENDENT AUDITORS' REPORT

Members of Council
Village of Lodi
Lodi, Ohio 44615

We have audited the accompanying financial statements of the Village of Lodi, as of and for the year ended December 31, 1999, as listed in the table of contents. These financial statements are the responsibility of the Village of Lodi's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Village, as of December 31, 1999 and the related revenues and expenditures and budgeted receipts, appropriations, and encumbrances for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 14, 2000 on our consideration of the Village of Lodi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code. However, this report is a public record, and is available upon specific request.

August 14, 2000

Guillan & Company

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH
AS OF DECEMBER 31, 1999

Cash and Cash Equivalents	\$ 247,888
Investments	<u>4,297,366</u>
Total Cash and Investments	<u><u>\$ 4,545,254</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 287,807
Special Revenue Funds	268,782
Debt Service Funds	4,931
Capital Projects Funds	447,770
Proprietary Funds:	
Enterprise Funds	3,532,632
Fiduciary Funds:	
Expendible Trust Funds	2,011
Agency Fund	<u>1,321</u>
Total	<u><u>\$ 4,545,254</u></u>

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

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES, ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>REVENUE RECEIPTS:</u>				
Local Taxes	\$ 524,838	\$ 13,793	\$ -	\$ -
Intergovernmental Revenues	177,588	135,251	-	-
Special Assessments	-	-	10,184	-
Charges for Services	81,091	46,518	-	-
Fines, Licenses, Permits	13,749	150	-	-
Miscellaneous	253,593	9,499	-	126
Total Revenue Receipts	1,050,859	205,211	10,184	126
<u>EXPENDITURES:</u>				
Security of Persons and Property	429,634	30,000	-	-
Leisure Time Activities	4,010	-	-	-
Community Environment	7,629	-	-	-
Transportation	70,642	174,268	-	-
General Government	354,345	-	-	-
Capital Outlay	-	43,118	-	12,878
Debt service	-	-	131,745	-
Total Expenditures	866,260	247,386	131,745	12,878
Revenues Over (Under) Expenditures	184,599	(42,175)	(121,561)	(12,752)
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	-	18,539	121,515	38,326
Transfers Out	(215,636)	-	-	-
Total Other Financing Sources (Uses):	(215,636)	18,539	121,515	38,326
Excess of Receipts and Other Financing Sources Over (Under) Expenditures and Other Uses	(31,037)	(23,636)	(46)	25,574
Fund Balance - January 1, 1999	318,844	292,418	4,977	422,196
Fund Balance - December 31, 1999	<u>\$ 287,807</u>	<u>\$ 268,782</u>	<u>\$ 4,931</u>	<u>\$ 447,770</u>

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

TOTALS
(MEMO-
RANDUM
ONLY)

\$ 538,631
312,839
10,184
127,609
13,899
263,218

1,266,380

459,634
4,010
7,629
244,910
354,345
55,996
131,745

1,258,269

8,111

178,380
(215,636)

(37,256)

(29,145)

1,038,435

\$ 1,009,290

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY
FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	PROPRIETARY FUND		FIDUCIARY FUND	
	ENTERPRISE	AGENCY	(MEMO-RANDUM ONLY)	
OPERATING RECEIPTS:				
Charges for Services	\$ 3,939,897	\$ -	\$ 3,939,897	
Total Operating Receipts	3,939,897	-	3,939,897	
OPERATING EXPENSES:				
Personal Services	583,510	-	583,510	
Contractual Services	646,653	-	646,653	
Materials and Supplies	1,907,985	-	1,907,985	
Capital Outlay	2,294,286	-	2,294,286	
Total Operating Expenses	5,432,434	-	5,432,434	
Operating Income (Loss)	(1,492,537)	-	(1,492,537)	
NONOPERATING REVUNUES:				
Other Nonoperating Receipts	34,450	-	34,450	
Miscellaneous	135,720	13,434	149,154	
Total Nonoperating Receipts	170,170	13,434	183,604	
NON-OPERATING EXPENCES				
Other Nonoperating Expenses	249,663	12,686	262,349	
Total Non-Operating Expenses	249,663	12,686	262,349	
Net Income (Loss) before Transfers	(1,572,030)	748	(1,571,282)	

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

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY
FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

(Continued)

	PROPRIETARY FUND		FIDUCIARY FUND	(MEMO-RANDUM ONLY)
	ENTERPRISE	AGENCY	AGENCY	
Transfers In	37,256	-		37,256
Net Income (Loss)	(1,534,774)		748	(1,534,026)
Fund Cash Balance - January 1, 1999	5,067,406		573	5,067,979
Fund Cash Balance - December 31, 1999	<u>\$ 3,532,632</u>		<u>\$ 1,321</u>	<u>\$ 3,533,953</u>

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

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>FUND TYPES/FUNDS</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>Governmental</u>			
General	\$ 855,880	\$ 1,050,859	\$ 194,979
Special Revenue	167,825	223,750	55,925
Debt Service	132,500	131,699	(801)
Capital Projects	12,000	38,452	26,452
<u>Proprietary</u>			
Enterprise	5,714,600	4,147,323	(1,567,277)
<u>Fiduciary</u>			
Expendable Trust	1,500	-	(1,500)
Agency	-	13,434	13,434
Totals - (Memorandum Only)	\$ 6,884,305	\$ 5,605,517	\$ (1,278,788)

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

VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH DISBURSEMENTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Prior Year</u> <u>Carryover</u>	<u>1999</u> <u>Appropriations</u>	<u>Totals</u>
<u>FUND TYPES/FUNDS</u>			
<u>Governmental</u>			
General	\$ -	\$ 1,028,255	\$ 1,028,255
Special Revenue	-	480,554	480,554
Debt Service	-	132,775	132,775
Capital Projects	-	414,110	414,110
<u>Proprietary</u>			
Enterprise	-	9,177,258	9,177,258
<u>Fiduciary</u>			
Expendable Trust	-	45	45
Agency	-	-	-
Totals - (Memorandum Only)	\$ -	\$ 11,232,997	\$ 11,232,997

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

Actual 1999 Disbursements	Encumbrances Outstanding at 12/31/99	Totals	Variances Favorable (Unfavorable)
\$ 866,261	\$ -	\$ 866,261	\$ 161,994
247,386	-	247,386	233,168
131,745	-	131,745	1,030
12,878	-	12,878	401,232
5,682,100	-	5,682,100	3,495,158
-	-	-	45
12,686	-	12,686	(12,686)
<u>\$ 6,953,056</u>	<u>\$ -</u>	<u>\$ 6,953,056</u>	<u>\$ 4,279,941</u>

VILLAGE OF LODI
MEDINA COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Lodi, Medina County, (the Village) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village council is composed of six members who are elected by their respective electors or by the Village at large. The Village provides general government services, including water, sewer and electrical utilities, park operations(recreation), and police and fire services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village of Lodi prepares its financial statements on a basis of accounting prescribed or permitted by the Ohio Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Village under the basis of accounting used. This method of accounting is utilized in reporting to the State of Ohio but is not in accordance with generally accepted accounting principles. By virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting and to make appropriations for budgetary funds.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. CASH and INVESTMENTS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the need of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

To account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS (Continued)

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. As prescribed by Ohio law, the Debt Service Fund is used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

FIDUCIARY FUNDS

Trust Funds

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. This includes the Village's Fire/Rescue Trust Fund, which is used to account for a local resident's bequest to the Village's fire and rescue departments.

Agency

This fund is used to account for activities for the Village's Mayor's Court.

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. On or about January 1 this certificate is amended to include any unencumbered balances from the preceding year.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETARY PROCESS (Continued)

2. Estimated Resources (Continued)

Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 1998, unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPERTY, PLANT, AND EQUIPMENT

Fixed assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

2. EQUITY IN CASH AND CASH EQUIVALENT INVESTMENTS

The Village maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types as of December 31, 1999", as Cash Balances by Fund Types.

Legal Requirements.

Statutes require the classification of monies held by the Village into three categories:

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the Village.

Such moneys must be maintained either as cash in the Village's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

2. EQUITY IN CASH AND CASH EQUIVALENT INVESTMENTS (Continued)

Category 3 consists of "interim" moneys, those moneys which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim moneys may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim monies;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

Deposits.

At December 31, 1999, the carrying amount of the Village's deposits was \$247,888, and the bank balance was \$509,517. Of the bank balance, all was covered by federal depository insurance. Investments are classified into three categories to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or agent, or by its trust department or agent, but not in the Village's name.

The Village 's investments at December 31, 1999 have been classified as shown below:

	Category <u>3</u>	<u>Cost</u>	<u>Market Value</u>
Municipal Bonds	\$ 56,700	\$ 56,700	\$ 56,700
STAR Ohio		4,240,666	4,240,666
Total Investments	<u>\$ 56,700</u>	<u>\$4,297,366</u>	<u>\$4,297,366</u>

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

3. DEBT OBLIGATIONS

A listing of the changes in the debt of the Village for the year ended December 31, 1999 follows:

O.W.D.A. LOAN:

Principal outstanding	\$208,901
Interest rate	8%

Special Assessment Bonds:

Principal outstanding	\$56,700
Interest rate	8%

General obligation bonds are direct obligations of the Village for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the Village.

The annual requirements to amortize all debt outstanding as of December 31, 1999 are as follows:

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>O.W.D.A.</u>	<u>Special Assessment</u> <u>Bonds</u>
2000	\$ 60,757	\$ 9,636
2001	121,515	9,228
2002	60,757	8,820
2003	-	8,412
2004	-	8,004
Thereafter	<u>-</u>	<u>39,936</u>
Total	<u>\$ 243,029</u>	<u>\$84,036</u>

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1998 for Medina County.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax (calendar) year 1999 was \$81.02 per \$1,000 of assessed valuation.

The effective tax rate was also \$54.52 per \$1,000 of assessed valuation for all real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback deductions is reimbursed to the Village by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

Real Property - 1999 Valuation	
Residential/Agricultural	\$21,171,180
Commercial/Industrial	7,799,060
Public Utilities	80,100
Tangible Personal Property - 1999 Valuation	
General	5,603,810
Public Utilities	<u>1,531,430</u>
Total Valuation	<u>\$36,185,580</u>

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

4. PROPERTY TAX (Continued)

The Medina County Treasurer collects property tax on behalf of all taxing districts within the county. The Medina County Auditor periodically remits to the taxing districts their portions of the taxes collected.

5. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The Village of Lodi contributes to the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%.

B. Police and Firemen's Disability And Pension Fund

The Village of Lodi contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost-sharing multiple employer defined benefit pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. Police and Firemen's Disability And Pension Fund (Continued)

requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to PFDPF, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters.

6. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1999.

OPEB is financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

6. POSTEMPLOYMENT BENEFITS (Continued)

A. Public Employees Retirement System (Continued)

The number of benefits recipients eligible for OPEB at December 31, 1999 was 118,062. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty two if attending school full-time or on a two thirds basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No.12. The Ohio Revised Code Chapter 742 provides that health care costs paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. Currently, 6.5 percent of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. In addition, since July 1, 1992, most retirees have been required to contribute to a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The number of participants eligible to receive health care benefits as of December 31, 1999 are for 11,424 policemen and 9,186 for firemen.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Property/Inland Marine
- Vehicles
- General Liability
- Public Officials Liability
- Law Enforcement Liability
- Fireman's and Emergency Care Services
- Employee Dishonesty

The Village also provides health insurance coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although the outcome of these suits are not presently determinable, Village legal counsel believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

On October 30, 1996, the Village entered into a consent order with the State of Ohio agreeing to perform certain tasks in order to bring its sewage treatment plant into compliance with the water pollution laws of the State of Ohio and the requirements of the National Pollution Discharge Elimination Systems Permit issued to it by the Environmental Protection Agency. The Village has met several requirements of the consent order, including the payment of a \$5,000 penalty and progress towards building a new sewage treatment facility. The Village is currently negotiating a supplemental environment project with the Environment Protection Agency. Counsel believes there are no potential loss other than the cost of the supplemental environment project and the construction of a new sewage treatment facility.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

9. JOINT VENTURE

The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to purchase a diesel powered electric generation facility in Cuyahoga Falls, Ohio and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV1) was created for that purpose. On dissolution of the joint venture, the net assets of Omega JV1 will be shared by the participants on a percentage basis. The Omega JV1 is managed by AMP-Ohio, who acts as the joint venture's agent.

VILLAGE OF LODI
MEDINA COUNTY

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

The prior audit report for the period ending June 30, 1998 included various citations and recommendations. Each of these citations and recommendations have either been satisfied or corrected, or are reflected in the appropriate section of this report. Such citations and recommendations are denoted by an asterisk.

Guillan & Company

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of Council
Village of Lodi
Lodi, Ohio 44615

We have audited the financial statements of the Village of Lodi as of and for the year ended December 31, 1999, and have issued our report thereon dated August 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determined 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurances on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving control over financial reporting and its operations that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated August 14, 2000.

**Village of Lodi
Medina County**

This report is intended for the information and use of the audit committee, management, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

August 14, 2000

Guillan & Company

VILLAGE OF LODI
MEDINA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Lodi.
2. No reportable conditions were disclosed during the audit of the Village of Lodi's financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit of the financial statements.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

VILLAGE OF LODI
MEDINA COUNTY

GENERAL COMMENTS
DECEMBER 31, 1999

This report, including the citations and recommendations, was reviewed with and acknowledged by the following officials on August 14, 2000:

Joanne Clapp	Clerk/Treasurer
Tom Wilson	Mayor
Tom Longsdorf	Council President
Melody Miller	Council
Allen Rom	Council
Linda Lawless	Council
Brad Rice	Council
Eric Roberts	Council

These officials were informed that they had five working days for the Auditor of State from the date of the post audit conference to respond to, or contest, in writing, the report contents. No such response was received.

Village personnel were cooperative and available for questions and assistance during regular working hours.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF LODI

MEDINA 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
NOVEMBER 14, 2000**