



**Auditor of State
Betty Montgomery**

VILLAGE OF LODI
MEDINA COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lodi
Medina County
110 Ainsworth Street, PO Box 95
Lodi, Ohio 44254

To the Village Council:

We have audited the accompanying financial statements of the Village of Lodi, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 *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 combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As further described in Note 10, an error, resulting in the overstatement of outstanding debt, was discovered during the current year. Accordingly, the beginning balance for the Enterprise Fund type was restated as of January 1, 2002 to correct the error.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Medina County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

May 14, 2004

VILLAGE OF LODI
MEDINA 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, 2003**

	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	\$338,161			\$33,232		\$371,393
Special Assessments			\$9,277	1,372		10,649
Intergovernmental Receipts	186,631	\$165,905		3,820		356,356
Charges for Services	281,219	1,070		1,000		283,289
Fines, Licenses, and Permits	6,680	506				7,186
Earnings on Investments	42,782	3,700				46,482
Miscellaneous		566		40		606
Total Cash Receipts	855,473	171,747	9,277	39,464		1,075,961
Cash Disbursements:						
Current:						
Security of Persons and Property	472,727					472,727
Leisure Time Activities	8,859	2,815				11,674
Community Environment	8,622					8,622
Transportation	81,195	142,155				223,350
General Government	155,253		253			155,506
Debt Service:						
Principal Payments		32,253	5,100	35,402		72,755
Interest Payments		934	3,312	1,926		6,172
Capital Outlay				448		448
Total Cash Disbursements	726,656	178,157	8,665	37,776		951,254
Total Cash Receipts Over/(Under) Cash Disbursements	128,817	(6,410)	612	1,688		124,707
Other Financing Receipts/(Disbursements):						
Transfers-In		61,626		27,664		89,290
Transfers-Out	(61,626)			(27,664)		(89,290)
Other Financing Sources	10,995	6				11,001
Total Other Financing Receipts/(Disbursements)	(50,631)	61,632	0	0		11,001
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	78,186	55,222	612	1,688		135,708
Fund Cash Balances, January 1	204,409	457,118	1,034	266,052	\$5,204	933,817
Fund Cash Balances, December 31	\$282,595	\$512,340	\$1,646	\$267,740	\$5,204	\$1,069,525
Reserves for Encumbrances, December 31	\$4,368	\$0	\$0	\$0	\$0	\$4,368

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

**VILLAGE OF LODI
MEDINA 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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$3,848,715		\$3,848,715
Fines, Licenses & Permits		\$5,916	5,916
Total Operating Cash Receipts	3,848,715	5,916	3,854,631
Operating Cash Disbursements:			
Personal Services	661,570		661,570
Contractual Services	455,100		455,100
Supplies and Materials	1,981,055		1,981,055
Capital Outlay	316,970		316,970
Other Operating Cash Disbursements		6,461	6,461
Total Operating Cash Disbursements	3,414,695	6,461	3,421,156
Operating Income/(Loss)	434,020	(545)	433,475
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	2,400,000		2,400,000
Other Non-Operating Receipts	115,061		115,061
Other Debt Proceeds	217,715		217,715
Sale of Land	24,800		24,800
Total Non-Operating Cash Receipts	2,757,576	0	2,757,576
Non-Operating Cash Disbursements:			
Debt Service - Principal	2,930,685		2,930,685
Debt Service - Interest	84,592		84,592
Other Non-Operating Cash Disbursements	34,283		34,283
Total Non-Operating Cash Disbursements	3,049,560	0	3,049,560
Net Cash Receipts Over/(Under)			
Cash Disbursements	142,036	(545)	141,491
Fund Cash Balances, January 1	3,237,133	570	3,237,703
Fund Cash Balances, December 31	<u>\$3,379,169</u>	<u>\$25</u>	<u>\$3,379,194</u>
Reserves for Encumbrances, December 31	<u>\$4,037</u>	<u>\$0</u>	<u>\$4,037</u>

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

VILLAGE OF LODI
MEDINA 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, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$341,158			\$33,411		\$374,569
Special Assessments			\$8,039	3,509		11,548
Intergovernmental Receipts	190,583	\$256,082		4,319		450,984
Charges for Services	147,143	1,200		1,000		149,343
Fines, Licenses, and Permits	8,552	320				8,872
Earnings on Investments	68,334	4,066				72,400
Miscellaneous	19,909	19,884		64		39,857
Total Cash Receipts	775,679	281,552	8,039	42,303	0	1,107,573
Cash Disbursements:						
Current:						
Security of Persons and Property	492,340					492,340
Leisure Time Activities	12,182	1,366				13,548
Community Environment	9,422					9,422
Basic Utility Services					\$125	125
Transportation	116,331	294,929				411,260
General Government	167,512	65	1,147	154		168,878
Debt Service:						
Principal Payments		4,375	5,100	4,598		14,073
Interest Payments			3,720	970		4,690
Capital Outlay				70,408		70,408
Total Cash Disbursements	797,787	300,735	9,967	76,130	125	1,184,744
Total Cash Receipts (Under) Cash Disbursements	(22,108)	(19,183)	(1,928)	(33,827)	(125)	(77,171)
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes				40,000		40,000
Other Debt Proceeds		44,021				44,021
Transfers-In		61,239		30,168		91,407
Transfers-Out	(61,239)			(30,168)		(91,407)
Total Other Financing Receipts/(Disbursements)	(61,239)	105,260	0	40,000	0	84,021
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(83,347)	86,077	(1,928)	6,173	(125)	6,850
Fund Cash Balances, January 1	287,756	371,041	2,962	259,879	5,329	926,967
Fund Cash Balances, December 31	\$204,409	\$457,118	\$1,034	\$266,052	\$5,204	\$933,817
Reserves for Encumbrances, December 31	\$2,152	\$132	\$0	\$0	\$0	\$2,284

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

**VILLAGE OF LODI
MEDINA 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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$3,765,784		\$3,765,784
Fines, Licenses & Permits		\$8,707	8,707
Total Operating Cash Receipts	3,765,784	8,707	3,774,491
Operating Cash Disbursements:			
Personal Services	657,342		657,342
Contractual Services	446,576		446,576
Supplies and Materials	4,993,368		4,993,368
Capital Outlay	473,805		473,805
Other Operating Cash Disbursements		8,137	8,137
Total Operating Cash Disbursements	6,571,091	8,137	6,579,228
Operating Income/(Loss)	(2,805,307)	570	(2,804,737)
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	2,500,000		2,500,000
OWDA Loan	3,030,528		3,030,528
Other Non-Operating Receipts	41,393		41,393
Total Non-Operating Cash Receipts	5,571,921	0	5,571,921
Non-Operating Cash Disbursements:			
Debt Service - Principal	2,710,027		2,710,027
Debt Service - Interest Payments	102,057		102,057
Other Fiscal Charges	12,475		12,475
Other Non-Operating Cash Disbursements	28,090		28,090
Total Non-Operating Cash Disbursements	2,852,649	0	2,852,649
Excess of Cash Receipts Over/Under Cash Disbursements	(86,035)	570	(85,465)
Fund Cash Balances January 1, as restated	3,323,167	0	3,323,167
Fund Cash Balances, December 31	<u>\$3,237,132</u>	<u>\$570</u>	<u>\$3,237,702</u>
Reserves for Encumbrances, December 31	<u>\$1,939</u>	<u>\$0</u>	<u>\$1,939</u>

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

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lodi, Medina County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides electric, water and sewer utilities, park operations, and police and fire services.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, repurchase agreements, and the internally funded bonds are valued at cost. The investment in STAR Ohio (the State Investment Pool) is valued at amounts reported by the State Treasurer.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

Permissive Motor Vehicle Tax Fund – This fund receives locally imposed motor vehicle tax money for constructing, maintaining and repairing Village streets.

Issue 2 Street Fund – This fund receives state grants for construction and upgrades of Village streets

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village has the following significant debt service fund:

General Obligation Debt Service – This fund receives special assessment revenue for the payment of principal and interest on the Village's general obligation debt.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village has the following significant Capital Projects Fund:

Capital Improvements Fund – This fund receives transfers in from other funds to provide for the purchase or construction of Village buildings and equipment that is not specifically provided for in other funds.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village has the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified 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 has the following significant fiduciary funds:

Unclaimed Funds – This expendable trust fund receives amounts from stale outstanding checks.

Mayor's Court Fund – This agency fund receives fines and forfeitures for violation of Village ordinances.

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 object level of control and appropriations may not exceed estimated resources. The Council must annually approve the appropriation measure 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 canceled and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$120,875	\$121,025
Certificates of deposit	146,798	145,479
Cash on Hand	725	725
Total deposits	268,398	267,229
STAR Ohio	3,758,506	3,717,167
Repurchase agreement	385,515	145,723
Internally funded bonds	36,300	41,400
Total investments	4,180,321	3,904,290
 Total deposits and investments	 \$4,448,719	 \$4,171,519

Deposits: Deposits are either 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.

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$731,800	\$866,468	\$134,668
Special Revenue	165,050	233,379	68,329
Debt Service	497,500	9,277	(488,223)
Capital Projects	63,510	67,128	3,618
Enterprise	3,720,000	6,606,291	2,886,291
Total	\$5,177,860	\$7,782,543	\$2,604,683

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$925,493	\$792,650	\$132,843
Special Revenue	418,882	178,157	240,725
Debt Service	770,800	8,665	762,135
Capital Projects	197,100	65,440	131,660
Enterprise	7,049,554	6,468,292	581,262
Fiduciary	545	0	545
Total	<u>\$9,362,374</u>	<u>\$7,513,204</u>	<u>\$1,849,170</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,026	\$775,679	\$696,653
Special Revenue	181,225	386,812	205,587
Debt Service	97,500	8,039	(89,461)
Capital Projects	63,700	112,471	48,771
Enterprise	3,615,100	9,337,705	5,722,605
Total	<u>\$4,036,551</u>	<u>\$10,620,706</u>	<u>\$6,584,155</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,015,995	\$861,178	\$154,817
Special Revenue	604,038	300,867	303,171
Debt Service	100,000	9,967	90,033
Capital Projects	154,603	106,298	48,305
Enterprise	11,071,292	9,425,679	1,645,613
Fiduciary	170	125	45
Total	<u>\$12,946,098</u>	<u>\$10,704,114</u>	<u>\$2,241,984</u>

Contrary to Ohio Rev. Code Section 5705.41 (D), the Village did not certify the availability of funds for certain expenditures during 2003 and 2002.

Contrary to Ohio Rev. Code Section 5705.41 (B), the Village expended more money than was appropriated.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such 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 behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$7,330,237	0.20%
Ohio Public Works Commission Loan	35,000	0.00%
General Obligation Note	2,400,000	2.50%
Special Assessment Bonds (Internally Funded)	<u>36,300</u>	8.00%
Total	<u><u>\$9,801,537</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$8,570,615 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$218,686, including interest, over 20 years beginning January 1, 2003. The scheduled payment amount below assumes that the current balance of \$7,330,237 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan is collateralized by the Village's taxing authority. The loan will be repaid over a remaining period of four years in semiannual installments of \$8,750, including interest.

The General Obligation Note is through the American Municipal Power – Ohio, Inc. (AMP-Ohio), the Village's electrical utility wholesaler, for the upgrade of the Village electrical utility system. The Note is subject to annual renewal at the same interest rate that AMP-Ohio pays on its notes. The Village may pay a portion of the principal upon renewal.

The Special Assessment Bonds are for street improvements and have been internally funded by the Village. The bonds will be repaid over a remaining period of seven years in annual installments ranging from \$5,416 to \$8,004 including interest. The Village collects special assessments from property owners through the Medina County Auditor to repay the bonds.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loan	OPWC Loan	General Obligation Notes	Special Assessment Bonds
2004	\$437,372	\$8,750	\$2,428,800	8,004
2005	437,372	8,750		7,696
2006	437,372	8,750		7,280
2007	437,372	8,750		6,864
2008	437,372			6,448
2009 - 2013	1,968,174			11,448
2014 - 2018	2,186,860			
2019 - 2021	1,117,750			
Total	<u>\$7,459,644</u>	<u>\$35,000</u>	<u>\$2,428,800</u>	<u>\$47,740</u>

6. 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. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001 (latest information available):

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	(3,627,321)	(4,851,866)
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

8. CONTINGENT LIABILITIES

The Village is both a plaintiff and a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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 generation facility in Cuyahoga Fall, Ohio and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV1) was created for that purpose. Upon 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 American Municipal Power – Ohio (AMP-Ohio), which acts as the agent of the joint venture.

10. PRIOR PERIOD ADJUSTMENT

In the prior year the Village recorded the entire amount authorized by OWDA for the Village's Wastewater Treatment Plant project as proceeds of debt issuance. However, the Village had actually received only a portion of the authorized amount in fiscal year 2001. Thus the reported other financing resources and cash balance in the Enterprise Fund financial statements was overstated. The December 31, 2001 Enterprise Fund balance has been restated to correct this error. The result of the restated balance is noted below.

Enterprise Fund Cash Balance, December 31, 2001	\$7,081,076
Prior Period Adjustment	<u>(3,757,909)</u>
Adjusted Enterprise Fund Cash Balance, December 31, 2001	<u><u>\$3,323,167</u></u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Lodi
Medina County
110 Ainsworth Street, PO Box 95
Lodi, Ohio 44254

To the Village Council:

We have audited the accompanying financial statements of the Village of Lodi, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 14, 2004, wherein we noted the Village restated beginning fund balance for the Enterprise Fund type. 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 *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 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated May 14, 2004.

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 assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2003-003

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 14, 2004.

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by 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

May 14, 2004

VILLAGE OF LODI
MEDINA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time he is completing his certification a sufficient sum was available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (\$3,000 as of April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Board upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

In 2003, 13 out of 35, and in 2002, 9 out of 37 of expenditures tested (37% and 24%, respectively) were not certified by the Clerk/Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance. The Village should certify the availability of funds prior to incurring the obligation for expenditures. The Village should also implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Ohio Admin. Code Section 117-9-02 states the legal level of control is the level (e.g. fund, program or function, department, object level) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the Village Council appropriate, and must meet or exceed the level prescribed by section 5705.38 of the Ohio Revised Code.

Council adopted appropriations at the object and so established the legal level of control at that level. During 2003 and 2002, disbursements plus outstanding encumbrances exceeded appropriations at September 30, 2003 and April 30, 2002, within the following funds and accounts:

FY 2003

Fund	Fund Account Number			Description	Appropriations	Total	
						Expenditures	Variance
General	101	101	52400	Police Supplies/Mat.	\$12,000	\$16,269	(\$4,269)
General	101	102	52300	Fire Contr. Services	10,000	11,289	(1,289)
General	101	103	52300	Rescue Contr. Services	11,000	13,004	(2,004)
General	101	103	52400	Rescue Supplies/Mat.	8,000	9,136	(1,136)
General	101	302	52300	Park Contr. Services	500	6,092	(5,592)
General	101	401	52300	Zoning Contr. Services	1,000	2,681	(1,681)
General	101	602	52400	Street Supplies/Mat.	12,000	17,341	(5,341)
General	101	702	52300	Council Contr. Serv.	13,000	16,352	(3,352)
General	101	702	52400	Council Supplies	2,500	4,145	(1,645)
Street M&R	201	602	52300	SCMR Contractual Serv.	2,500	6,642	(4,142)
Street M&R	201	602	52500	SCMR Capital Outlay	18,000	35,711	(17,711)
Water	601	551	52300	Water contractual Serv.	59,400	80,817	(21,417)
Water	601	557	52400	Meters	2,500	4,867	(2,367)
Water	601	561	52410	Water Chemicals	35,000	41,890	(6,890)
Sewer	602	551	52400	Sewer Office Supplies	10,000	17,584	(7,584)

**FINDING NUMBER 2003-002
 (Continued)**

Fy 2002

Fund	Fund Account Number		Description	Appropriations	Total	
					Expenditures	Variance
General	101	103	52400 Rescue Supplies/Mat.	\$7,000	\$11,247	(\$4,247)
General	101	705	52300 Land/Bldg Contracts	10,000	32,593	(22,593)
Water	601	551	52300 Water Contractual	115,000	117,410	(2,410)
Sewer	602	558	52400 Sewer Auto. Supplies	6,000	13,814	(7,814)
Sewer	602	561	52410 Sewer Chemicals	5,000	6,800	(1,800)
Electric	603	501	52410 Electric Utility Poles	180,000	188,430	(8,430)
Electric	603	551	52300 Elec. Contractual Service	200,000	264,160	(64,160)
Electric	603	551	52330 Elec. Key Account.	2,500	5,150	(2,650)
Electric	603	447	41400 Elec. Auto. Supplies	7,000	12,075	(5,075)
Electric	603	801	52620 Debt Service-Interest	100,000	105,965	(5,965)

The Clerk/Treasurer should frequently compare actual disbursements, plus outstanding encumbrances to appropriations at the legal level of control. If Council feels budgetary control should not extend to the object level for all accounts, it should consider adopting appropriations at a higher level but no higher than provided for in Ohio Rev. Code Section 5705.38.

FINDING NUMBER 2003-003

Reportable Condition

Debt

The Village had several recording errors associated with debt proceeds, debt renewal and debt payment, as follows which resulted in misstatement of the financial statements. The misstatements were identified during the audit and the Village has posted corrections to its records and the financial statements:

1. The American Municipal Power-Ohio (AMP-Ohio) note was renewed in fiscal year 2002 (\$2,500,000) and 2003 (\$2,400,000) with the new note proceeds paid directly to the holder of the old notes. The Village only recorded \$100,000 of principal paid in 2003, but failed to record the principal payment on the old note and the proceeds of the renewed note in the Electric Fund each year. Though the Village did not receive or disburse cash as a result of these transactions, these transactions represent financial activity of the Village and should be budgeted and recorded as memo transactions on the Village's records.
2. The Village recorded the entire authorized amount for the OWDA loan as revenue in FY 2001 rather than recording proceeds when the money was actually released by OWDA and paid to the contractors. As a result, adjustments were needed for FY 2003 and 2002, (\$192,019 and \$2,865,908, respectively), to recognize proceeds in the year actually received.
3. Debt proceeds, in the amount of \$139,147, from OWDA loan, were recorded as Earnings on Investments in the Sewer Fund.

FINDING NUMBER 2003-003
(Continued)

4. During 2002, funds received from the Ohio Public Works Commission (OPWC) consisted of a grant and a loan. Both amounts, \$131,250 and \$43,750, were recorded as Charges for Services revenue, rather than Intergovernmental Revenue and Proceeds of Debt in the Issue II Fund, respectively.
5. During 2003 and 2002, the principal payment of \$5,100 for the Street Note, was recorded as Interest Expense rather than Redemption of Principal in the General Obligation Debt Fund.
6. During 2002, the principal payment of \$4,375 for the Ohio Public Works Commission (OPWC) loan was recorded as Transportation Expense rather than Redemption of Principal in the Motor Vehicle Permissive Tax Fund.
7. During 2002, the First National Bank Loan of \$40,000 which was issued to purchase land for the Fire Station was not recorded as Proceeds of Loan, nor was the subsequent expenditure recorded as Capital Outlay in the Capital Improvement Fund, only the down payment was recorded. In addition, the principal and interest payments were recorded as Capital Outlay rather than as Redemption of Principal and Interest and Other Fiscal Charges, \$4,598 and \$970, respectively,
8. During 2003, a correction of an error in Sewer Fund expenditures, in the amount of \$25,696, was recorded as revenue rather than as a reduction of expenditure in the same account in which the error occurred.

The Village Clerk/Treasurer should be careful to record all increase to debt principal, renewal of debt, principal payment and interest payment to the appropriate accounts in order to properly and clearly report all financial debt activity on the financial statements. This will provide management with more accurate financial debt activity information to make their decisions.



**Auditor of State
Betty Montgomery**

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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
JUNE 17, 2004**