

VILLAGE OF LODI
MEDINA COUNTY

AUDITED FINANCIAL STATEMENTS AND
AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of Council
Village of Lodi, Ohio

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, 2001 through December 31, 2001. 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

August 27, 2002

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VILLAGE OF LODI
MEDINA COUNTY

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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, 2001, 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 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 cash balances of the Village, as of December 31, 2001 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 5, 2002 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 and is not intended to be and should not be used by anyone other than these specified parties.

August 5, 2002

Guillan & Company

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VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH
AS OF DECEMBER 31, 2001

Cash and Cash Equivalents	\$ 4,260,753
Investments	<u>3,747,288</u>
Total Cash and Investments	<u><u>\$ 8,008,042</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 287,756
Special Revenue Funds	371,040
Debt Service Funds	2,962
Capital Projects Funds	259,879
Proprietary Funds:	
Enterprise Funds	7,081,076
Fiduciary Funds:	
Expendible Trust Funds	5,329
Agency Fund	<u>-</u>
Total	<u><u>\$ 8,008,042</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, 2001

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>REVENUE RECEIPTS:</u>				
Local Taxes	\$ 491,590	\$ 13,878	\$ -	\$ 33,140
Intergovernmental Revenues	242,203	112,494	-	-
Special Assessments	-	-	259,807	3,242
Charges for Services	82,900	-	-	-
Fines, Licenses, Permits	10,114	703	-	-
Miscellaneous	10,572	5,827	-	1,313
Total Revenue Receipts	<u>837,379</u>	<u>132,901</u>	<u>259,807</u>	<u>37,696</u>
<u>EXPENDITURES:</u>				
Security of Persons and Property	435,796	-	-	-
Leisure Time Activities	10,450	385	-	-
Community Environment	7,099	-	-	-
Transportation	122,346	98,209	-	-
General Government	227,215	-	-	-
Capital Outlay	-	-	-	29,686
Debt service	-	-	260,829	-
Total Expenditures	<u>802,907</u>	<u>98,594</u>	<u>260,829</u>	<u>29,686</u>
Revenues Over (Under) Expenditures	34,472	34,307	(1,022)	8,010
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	-	2,118	-	37,823
Transfers Out	(48,417)	-	-	(32,680)
Other Sources	46,695	124	-	-
Total Other Financing Sources (Uses):	<u>(1,722)</u>	<u>2,242</u>	<u>-</u>	<u>5,143</u>
Excess of Receipts and Other Financing Sources Over (Under) Expenditures and Other Uses	32,750	36,549	(1,022)	13,153
Fund Balance - January 1, 2001	<u>255,005</u>	<u>334,491</u>	<u>3,985</u>	<u>246,727</u>
Fund Balance - December 31, 2001	<u>\$ 287,756</u>	<u>\$ 371,040</u>	<u>\$ 2,962</u>	<u>\$ 259,879</u>

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

FIDUCIARY EXPENDABLE TRUST	TOTALS (MEMO- RANDUM ONLY)
\$ -	\$ 538,608
-	354,697
-	263,049
-	82,900
-	10,817
950	18,662
950	1,268,733
-	435,796
-	10,835
-	7,099
-	220,555
-	227,215
-	29,686
-	260,829
-	1,192,016
950	76,717
-	39,941
-	(81,097)
-	46,819
-	5,663
950	82,380
4,379	844,587
\$ 5,329	\$ 926,967

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, 2001

	PROPRIETARY FUND	FIDUCIARY FUND	(MEMO- RANDUM ONLY)
	ENTERPRISE	AGENCY	
OPERATING RECEIPTS:			
Charges for Services	\$ 3,703,475	\$ -	\$ 3,703,475
Total Operating Receipts	<u>3,703,475</u>	<u>-</u>	<u>3,703,475</u>
OPERATING EXPENSES:			
Personal Services	599,694	-	599,694
Contractual Services	700,077	-	700,077
Materials and Supplies	2,128,023	-	2,128,023
Capital Outlay	5,106,233	-	5,106,233
Total Operating Expenses	<u>8,534,027</u>	<u>-</u>	<u>8,534,027</u>
Operating Income (Loss)	(4,830,552)	-	(4,830,552)
NONOPERATING REVUNUES:			
Proceeds from Bonds	8,570,615	-	8,570,615
Miscellaneous	6,362	11,436	17,798
Total Nonoperating Receipts	<u>8,576,977</u>	<u>11,436</u>	<u>8,588,413</u>
NON-OPERATING EXPENCES			
Other Nonoperating Expenses	<u>-</u>	<u>12,268</u>	<u>12,268</u>
Total Non-Operating Expenses	<u>-</u>	<u>12,268</u>	<u>12,268</u>
Net Income (Loss) before Transfers	3,746,425	(832)	3,745,593

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, 2001

(Continued)

	PROPRIETARY FUND		FIDUCIARY FUND	(MEMO-RANDUM ONLY)
	ENTERPRISE	AGENCY	AGENCY	
Transfers In	41,156	-		41,156
Net Income (Loss)	3,787,581	(832)		3,786,749
Fund Cash Balance - January 1, 2001	3,293,495	832		3,294,326
Fund Cash Balance - December 31, 2001	<u>\$ 7,081,076</u>	<u>\$ -</u>		<u>\$ 7,081,075</u>

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

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VILLAGE OF LODI
MEDINA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2001

<u>FUND TYPES/FUNDS</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>Governmental</u>			
General	\$ 813,310	\$ 884,074	\$ 70,764
Special Revenue	142,725	135,144	(7,581)
Debt Service	130,515	259,806	129,291
Capital Projects	35,300	75,519	40,219
<u>Proprietary</u>			
Enterprise	9,586,100	12,321,608	2,735,508
<u>Fiduciary</u>			
Expendable Trust	-	950	950
Agency	-	11,436	11,436
Totals - (Memorandum Only)	\$ 10,707,950	\$ 13,688,537	\$ 2,980,587

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, 2001

	<u>Prior Year</u> <u>Carryover</u>	<u>2001</u> <u>Appropriations</u>	<u>Totals</u>
<u>FUND TYPES/FUNDS</u>			
<u>Governmental</u>			
General	\$ -	\$ 951,549	\$ 951,549
Special Revenue	-	435,301	435,301
Debt Service	-	263,015	263,015
Capital Projects	-	204,923	204,923
<u>Proprietary</u>			
Enterprise	-	13,402,704	13,402,704
<u>Fiduciary</u>			
Expendable Trust	-	45	45
Agency	-	-	-
Totals - (Memorandum Only)	\$ -	\$ 15,257,537	\$ 15,257,537

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

Actual 2001 Disbursements	Encumbrances Outstanding at 12/31/01	Totals	Variances Favorable (Unfavorable)
\$ 851,324	\$ -	\$ 851,324	\$ 100,225
98,594	-	98,594	336,707
260,829	-	260,829	2,186
62,366	-	62,366	142,557
8,534,016	-	8,534,016	4,868,688
-	-	-	45
12,268	-	12,268	(12,268)
<u>\$ 9,819,397</u>	<u>\$ -</u>	<u>\$ 9,819,397</u>	<u>\$ 5,438,139</u>

VILLAGE OF LODI
MEDINA COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

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, 2001
(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, 2001
(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, 2001
(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, 2001
(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, 2001, 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, 2001
(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, 2001", 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, 2001
(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, 2001, the carrying amount of the Village's deposits was \$388,979, and the bank balance was \$485,977. Of the bank balance, \$100,000 was covered by federal depository insurance with the remaining balance covered by pooled collateral. The Village has \$3,871,775 of restricted cash being held by a third party for use on an Ohio Water Development Authority project. 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, 2001 have been classified as shown below:

	Category <u>3</u>	<u>Cost</u>	<u>Market Value</u>
Municipal Bonds	\$ 46,500	\$ 46,500	\$ 46,500
STAR Ohio		<u>3,700,788</u>	<u>3,700,788</u>
Total Investments	<u>\$ 46,500</u>	<u>\$3,747,288</u>	<u>\$3,747,288</u>

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

3. DEBT OBLIGATIONS

A listing of the changes in the debt of the Village for the year ended December 31, 2001 follows:

Special Assessment Bonds:	
Principal outstanding	\$46,500
Interest rate	8%

During the fiscal year 2001, the Village received a loan from the Ohio Water Development Authority for the expansion of the Wastewater Treatment Plant. The loan was for \$8,570,615 with an interest rate of .2%. The loan is to be repaid over 20 years with semiannual payments of \$218,686 beginning January 1, 2003.

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, 2001 are as follows:

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>Special Assessment</u> <u>Bonds</u>
2002	8,820
2003	8,412
2004	8,004
2005	7,696
2006	7,280
Thereafter	<u>24,960</u>
Total	<u>\$ 65,172</u>

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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 2001 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 - 2001 Valuation	
Residential/Agricultural/Mineral	\$21,335,360
Commercial/Industrial	7,874,580
Public Utilities	68,860
Tangible Personal Property - 2001 Valuation	
General	5,922,695
Public Utilities	<u>1,290,000</u>
Total Valuation	<u>\$ 36,461,495</u>

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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

Public Employees Retirement System of Ohio is a cost-sharing multiple-employer defined benefit 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 Village is required to contribute 13.55%. The Village's contributions to the plan for the years ending 2001 and 2000 and 1999 were \$86,718, \$78,258 and \$86,537 respectively, equal to the required contributions for the year

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

5. DEFINED BENEFIT PENSION PLANS (Continued)

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% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village of Lodi's contributions to PFDPF for the years ending December 31, 2001, 2000, and 1999 were \$34,214, \$31,233, \$34,226 respectively, equal to the required contributions for each year.

6. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio provides post-employment 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 post retirement health care based on the authority granted by State statute.

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

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

6. POSTEMPLOYMENT BENEFITS (Continued)

A. Public Employees Retirement System (Continued)

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 2001 employer contribution rate was 16.7% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2001.

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 2001 were \$523,599,349. As of December 31, 2001, the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The number of benefits recipients eligible for OPEB at December 31, 2001 was 411,076. 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 4.3% 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 Fund provides post retirement health care coverage to any person who received 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 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the Police and Firemen's

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

6. POSTEMPLOYMENT BENEFITS (Continued)

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

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 authority 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 7.5% 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 a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

PFDPF, as of December 31, 2001, has 12,853 and 10,037 participants eligible to receive health care benefits for police and firemen, respectively.

7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the Village contracted with private carriers for property and fleet insurance for the following:

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

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

7. RISK MANAGEMENT (Continued)

Settled claims have not exceeded the commercial coverage in any of the past three years.

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. The Village has received a loan from the Ohio Water Development Authority for the expansion of the Wastewater Treatment Plant. Construction is currently being conducted of the facility with completion of the facility by fall of 2002. 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 the new sewage treatment facility.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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.

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, 2001, and have issued our report thereon dated August 5, 2002. 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 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.

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 5, 2002.

**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 5, 2002

Guillan & Company

VILLAGE OF LODI
MEDINA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2001

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, 2001

This report, including the citations and recommendations, was reviewed with and acknowledged by the following officials on August 5, 2002:

Joanne Clapp	Clerk/Treasurer
Tom Longsdorf	Mayor
Florence Franck	Council President
Jill Cipulle	Council
Brad Rice	Council
Linda Lawless	Council
Melody Miller	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

JIM PETRO, AUDITOR OF STATE

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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
SEPTEMBER 10, 2002**