



**VILLAGE OF LODI
MEDINA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF LODI
MEDINA COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Cover Letter | 1 |
| Independent Accountants' Report..... | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances All Governmental Fund Types For the Year Ended December 31, 2009 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2009 | 6 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances All Governmental Fund Types For the Year Ended December 31, 2008 | 7 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2008 | 8 |
| Notes to the Financial Statements | 9 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 21 |
| Schedule of Prior Audit Findings..... | 23 |

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 17, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lodi
Medina County
110 Anisworth 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, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lodi, Medina County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

February 17, 2010

**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Local Taxes | \$450,018 | | | | \$450,018 |
| Intergovernmental | 259,660 | \$321,163 | | \$235 | 581,058 |
| Special Assessments | | | \$8,218 | | 8,218 |
| Charges for Services | 330,296 | | | 1,000 | 331,296 |
| Fines, Licenses and Permits | 3,620 | 385 | | | 4,005 |
| Earnings on Investments | 44,627 | 6,679 | | | 51,306 |
| Total Cash Receipts | 1,088,221 | 328,227 | 8,218 | 1,235 | 1,425,901 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 683,680 | 2,777 | | | 686,457 |
| Leisure Time Activities | 31,824 | | | | 31,824 |
| Community Environment | 17,310 | | | | 17,310 |
| Transportation | 221,183 | 59,228 | | | 280,411 |
| General Government | 280,053 | 182,548 | | | 462,601 |
| Debt Service: | | | | | |
| Redemption of Principal | | | 5,200 | | 5,200 |
| Interest and Fiscal Charges | | | 832 | | 832 |
| Capital Outlay | 43,682 | 65,272 | | 45,141 | 154,095 |
| Total Cash Disbursements | 1,277,732 | 309,825 | 6,032 | 45,141 | 1,638,730 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (189,511) | 18,402 | 2,186 | (43,906) | (212,829) |
| Other Financing Receipts/(Disbursements): | | | | | |
| Other Financing Sources | 2,003 | | | | 2,003 |
| Other Financing Uses | | | (129) | | (129) |
| Total Other Financing Receipts/(Disbursements) | 2,003 | | (129) | | 1,874 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (187,508) | 18,402 | 2,057 | (43,906) | (210,955) |
| Fund Cash Balances, January 1 | 642,619 | 416,571 | 10,296 | 166,001 | 1,235,487 |
| Fund Cash Balances, December 31 | \$455,111 | \$434,973 | \$12,353 | \$122,095 | \$1,024,532 |

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Proprietary Fund Types</u> | <u>Fiduciary Fund Types</u> | <u>Totals (Memorandum Only)</u> |
|--|-----------------------------------|---------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$5,148,307 | | \$5,148,307 |
| Fines, Licenses and Permits | 50 | | 50 |
| Miscellaneous | | \$281 | 281 |
| | <u>5,148,357</u> | <u>281</u> | <u>5,148,638</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 873,615 | | 873,615 |
| Contractual Services | 576,141 | | 576,141 |
| Supplies and Materials | 3,027,676 | | 3,027,676 |
| | <u>4,477,432</u> | | <u>4,477,432</u> |
| Operating Income/(Loss) | <u>670,925</u> | <u>281</u> | <u>671,206</u> |
| Non-Operating Cash Receipts: | | | |
| Sale of Notes | 800,000 | | 800,000 |
| Miscellaneous Receipts | 23,205 | | 23,205 |
| Other Non-Operating Cash Receipts | | 47,149 | 47,149 |
| | <u>823,205</u> | <u>47,149</u> | <u>870,354</u> |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 415,003 | | 415,003 |
| Redemption of Principal | 1,525,761 | | 1,525,761 |
| Interest and Other Fiscal Charges | 39,371 | | 39,371 |
| Other Non-Operating Cash Disbursements | | 43,988 | 43,988 |
| | <u>1,980,135</u> | <u>43,988</u> | <u>2,024,123</u> |
| Net Receipts Over/(Under) Disbursements | (486,005) | 3,442 | (482,563) |
| Fund Cash Balances, January 1 | <u>2,854,679</u> | <u>164,981</u> | <u>3,019,660</u> |
| Fund Cash Balances, December 31 | <u><u>\$2,368,674</u></u> | <u><u>\$168,423</u></u> | <u><u>\$2,537,097</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, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|-----------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Local Taxes | \$432,309 | | | | \$432,309 |
| Intergovernmental | 187,485 | \$149,282 | | \$118 | 336,885 |
| Special Assessments | | | \$8,790 | | 8,790 |
| Charges for Services | 355,798 | | | 1,000 | 356,798 |
| Fines, Licenses and Permits | 5,195 | 500 | | | 5,695 |
| Earnings on Investments | 128,942 | 12,234 | | | 141,176 |
| Total Cash Receipts | 1,109,729 | 162,016 | 8,790 | 1,118 | 1,281,653 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 660,594 | 710 | | | 661,304 |
| Leisure Time Activities | 20,611 | | | | 20,611 |
| Community Environment | 17,513 | | | | 17,513 |
| Transportation | 199,477 | 133,210 | | | 332,687 |
| General Government | 251,082 | 400 | | | 251,482 |
| Debt Service: | | | | | |
| Redemption of Principal | | | 5,200 | | 5,200 |
| Interest and Fiscal Charges | | | 1,248 | | 1,248 |
| Capital Outlay | 33,618 | | | 30,923 | 64,541 |
| Total Cash Disbursements | 1,182,895 | 134,320 | 6,448 | 30,923 | 1,354,586 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (73,166) | 27,696 | 2,342 | (29,805) | (72,933) |
| Other Financing Receipts/(Disbursements): | | | | | |
| Transfers-In | 5,159 | 6,500 | | | 11,659 |
| Transfers-Out | (6,500) | | | | (6,500) |
| Other Financing Sources | 5,222 | 257 | | | 5,479 |
| Other Financing Uses | | | (161) | | (161) |
| Total Other Financing Receipts/(Disbursements) | 3,881 | 6,757 | (161) | | 10,477 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (69,285) | 34,453 | 2,181 | (29,805) | (62,456) |
| Fund Cash Balances, January 1 | 711,904 | 382,118 | 8,115 | 195,806 | 1,297,943 |
| Fund Cash Balances, December 31 | \$642,619 | \$416,571 | \$10,296 | \$166,001 | \$1,235,487 |

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|---|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$5,304,233 | | \$5,304,233 |
| Operating Cash Disbursements: | | | |
| Personal Services | 837,566 | | 837,566 |
| Contractual Services | 717,303 | | 717,303 |
| Supplies and Materials | 2,772,032 | | 2,772,032 |
| Total Operating Cash Disbursements | 4,326,901 | | 4,326,901 |
| Operating Income | 977,332 | | 977,332 |
| Non-Operating Cash Receipts: | | | |
| Sale of Notes | 1,100,000 | | 1,100,000 |
| Miscellaneous Receipts | 30,061 | \$1,596 | 31,657 |
| Other Non-Operating Cash Receipts | | 53,150 | 53,150 |
| Total Non-Operating Cash Receipts | 1,130,061 | 54,746 | 1,184,807 |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 234,466 | | 234,466 |
| Redemption of Principal | 1,924,911 | | 1,924,911 |
| Interest and Other Fiscal Charges | 68,215 | | 68,215 |
| Other Non-Operating Cash Disbursements | | 47,924 | 47,924 |
| Total Non-Operating Cash Disbursements | 2,227,592 | 47,924 | 2,275,516 |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers | (120,199) | 6,822 | (113,377) |
| Transfers-Out | | (5,159) | (5,159) |
| Net Receipts Over/(Under) Disbursements | (120,199) | 1,663 | (118,536) |
| Fund Cash Balances, January 1 | 2,974,878 | 163,318 | 3,138,196 |
| Fund Cash Balances, December 31 | \$2,854,679 | \$164,981 | \$3,019,660 |

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, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lodi, Medina County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water, wastewater treatment, electric, storm sewers, maintenance of Village roads, parks, police, and fire and rescue service. The Village appropriates general fund money to support a contract with the Medina County Sheriff Department for police, fire and rescue dispatching services and the volunteer fire and rescue department.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Village also participates in three joint ventures. Note 10 to the financial statements provides additional information for these entities. The organizations are:

Joint Ventures

Ohio Municipal Electric Generation Agency (OMEGA JV1)
Ohio Municipal Electric Generation Agency (OMEGA JV2)
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 10 to the financial statement describes these assets.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificates of deposit at cost; U.S. Government Agency securities are reported at market value. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Motor Vehicle Permissive Fund – This fund receives a motor vehicle license tax, which the Village can only use for planning, constructing, improving, maintaining and repairing Village roads.

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund

Bond Retirement Fund - This fund receives special assessments which the Village uses to retire special assessment bond debt.

4. Capital Project Funds

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

Capital Improvements Fund - This fund receives transfers from the general fund to complete major capital improvements.

Fire Equipment Fund - This fund receives proceeds from property taxes, and transfers from the general fund to purchase fire equipment.

Sidewalk Fund – This fund receives proceeds from special assessments levied on Village residents to pay for repair of Village sidewalks.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds

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

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover electric power service costs.

6. Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for utility deposits and unclaimed funds.

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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

| | 2009 | 2008 |
|-------------------------------------|-------------|-------------|
| Demand deposits | \$500,662 | \$453,049 |
| Investments: | | |
| U.S. Treasury Notes | 806,702 | 1,082,306 |
| STAR Ohio | 2,239,254 | 2,707,139 |
| Money Market | 9,811 | 2,253 |
| Special Assessment Manuscript Bonds | 5,200 | 10,400 |
| Total investments | 3,060,967 | 3,802,098 |
| Total deposits and investments | \$3,561,629 | \$4,255,147 |

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

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|--------------------|
| General | \$1,121,832 | \$1,090,224 | (\$31,608) |
| Special Revenue | 429,804 | 328,227 | (101,577) |
| Debt Service | 9,800 | 8,218 | (1,582) |
| Capital Projects | 22,000 | 1,235 | (20,765) |
| Enterprise | 6,178,300 | 5,971,562 | (206,738) |
| Total | <u>\$7,761,736</u> | <u>\$7,399,466</u> | <u>(\$362,270)</u> |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|--------------------|
| General | \$1,604,200 | \$1,277,732 | \$326,468 |
| Special Revenue | 551,898 | 309,825 | 242,073 |
| Debt Service | 6,532 | 6,161 | 371 |
| Capital Projects | 182,726 | 45,141 | 137,585 |
| Enterprise | 7,828,229 | 6,457,567 | 1,370,662 |
| Total | <u>\$10,173,585</u> | <u>\$8,096,426</u> | <u>\$2,077,159</u> |

2008 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|----------------|
| General | \$1,154,846 | \$1,120,110 | (\$34,736) |
| Special Revenue | 192,597 | 168,773 | (23,824) |
| Debt Service | 9,200 | 8,790 | (410) |
| Capital Projects | 21,000 | 1,118 | (19,882) |
| Enterprise | 6,349,125 | 6,434,294 | 85,169 |
| Total | <u>\$7,726,768</u> | <u>\$7,733,085</u> | <u>\$6,317</u> |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|--------------------|
| General | \$1,570,000 | \$1,189,395 | \$380,605 |
| Special Revenue | 515,745 | 134,320 | 381,425 |
| Debt Service | 6,948 | 6,609 | 339 |
| Capital Projects | 193,440 | 30,923 | 162,517 |
| Enterprise | 8,341,590 | 6,554,493 | 1,787,097 |
| Total | <u>\$10,627,723</u> | <u>\$7,915,740</u> | <u>\$2,711,983</u> |

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village

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, 2009 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|---------------------------|----------------------|
| Ohio Water Development Authority Loan | \$4,822,779 | 0.00% |
| American Municipal Power - Ohio Inc. Electrical System Improvement Bond Anticipation Notes | 800,000 | 3.75% |
| Special Assessment Bonds (Internally Funded) | <u>5,200</u> | 8.00% |
| Total | <u><u>\$5,627,979</u></u> | |

The Ohio Water Development Authority (OWDA) loan relates to the construction of a new wastewater treatment plant that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$218,682 over 20 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The American Municipal Power – Ohio Inc. (AMP-Ohio) revenue bond anticipation note relates to the construction of a new substation located on Harris Road and Greenwich Road. The note is secured by electric receipts. The Village has agreed to set utility rates sufficient to cover AMP-Ohio requirements.

The Special Assessment manuscript bond is backed by the full faith and credit of the Village and matures in 2010. This bond was purchased by the Village’s General Fund and is included as part of the General Fund’s Cash Fund balance.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

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

| Year ending December 31: | OWDA Loan | Special Assessment G.O. Manuscript Bond | AMP-Ohop Revenue Bond Anticipation Note |
|--------------------------|--------------------|---|--|
| 2010 | \$437,364 | \$5,516 | \$830,000 |
| 2011 | 437,364 | | |
| 2012 | 437,364 | | |
| 2013 | 437,364 | | |
| 2014 | 437,364 | | |
| 2015-2019 | 2,186,820 | | |
| 2020-2022 | 449,139 | | |
| Total | <u>\$4,822,779</u> | <u>\$5,516</u> | <u>\$830,000</u> |

6. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10 percent of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

7. Risk Management

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

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, 2008 and 2007 (the latest information available):

| | <u>2008</u> | <u>2007</u> |
|---------------------|--------------------|--------------------|
| Assets | \$2,552,519 | \$ 2,405,834 |
| Liabilities | <u>(2,814,306)</u> | <u>(2,877,385)</u> |
| Accumulated deficit | <u>(\$261,787)</u> | <u>(\$471,551)</u> |

8. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Joint Ventures

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 Falls, 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 JV 1 is managed by American Municipal Power – Ohio (AMP-Ohio), which acts as the agent of the joint venture.

The Village of Lodi is a Financing Participant and an Owner Participant with percentages of liability and ownership of .21% and .16% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenue of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009 the Village of Lodi has met their debt coverage obligation.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

9. Joint Ventures (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On an unaudited basis the Village's net obligation for these bonds at December 31, 2009 was \$57,095 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). On an unaudited basis the Village's net investment in OMEGA JV2 was \$56,055 at December 31, 2009. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivision and their respective ownership shares at December 31, 2009 are:

| <u>Municipality</u> | <u>Percent Ownership</u> | <u>Kw Entitlement</u> | <u>Municipality</u> | <u>Percent Ownership</u> | <u>Kw Entitlement</u> |
|---------------------|------------------------------|---------------------------|---------------------|------------------------------|---------------------------|
| Hamilton | 23.87% | 32,000 | Grafton | 0.79% | 1,056 |
| Bowling Green | 14.32% | 19,198 | Brewster | 0.75% | 1,000 |
| Niles | 11.49% | 15,400 | Monroeville | 0.57% | 764 |
| Cuyahoga Falls | 7.46% | 10,000 | Milan | 0.55% | 737 |
| Wadsworth | 5.81% | 7,784 | Oak Harbor | 0.55% | 737 |
| Painesville | 5.22% | 7,000 | Elmore | 0.27% | 364 |
| Dover | 5.22% | 7,000 | Jackson Center | 0.22% | 300 |
| Galion | 4.29% | 5,753 | Napoleon | 0.20% | 264 |
| Amherst | 3.73% | 5,000 | Lodi | 0.16% | 218 |
| St. Mary's | 2.98% | 4,000 | Genoa | 0.15% | 199 |
| Montpelier | 2.98% | 4,000 | Pemberville | 0.15% | 197 |
| Shelby | 1.89% | 2,536 | Lucas | 0.12% | 161 |
| Versailles | 1.24% | 1,660 | South Vienna | 0.09% | 123 |
| Edgerton | 1.09% | 1,460 | Bradner | 0.09% | 119 |
| Yellow Springs | 1.05% | 1,408 | Woodville | 0.06% | 81 |
| Oberlin | 0.91% | 1,217 | Haskins | 0.05% | 73 |
| Pioneer | 0.86% | 1,158 | Arcanum | 0.03% | 44 |
| Seville | <u>0.79%</u> | <u>1,066</u> | Custar | <u>0.00%</u> | <u>4</u> |
| | <u>95.20%</u> | <u>127,640</u> | | <u>4.80%</u> | <u>6,441</u> |
| | | | Grand Total | <u>100%</u> | <u>134,081</u> |

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

9. Joint Ventures (Continued)

The Village's liability for the bonds is described below:

| Years | Principal | Interest | Total Debt Service |
|----------------------------------|-----------------|-----------------|-----------------------|
| 2010 | \$4,844 | \$3,458 | 8,302 |
| 2011 | 5,103 | 3,204 | 8,307 |
| 2012 | 5,373 | 2,936 | 8,309 |
| 2013 | 5,653 | 2,654 | 8,307 |
| 2014 | 5,943 | 2,357 | 8,300 |
| 2015-2020 | 42,467 | 7,360 | 49,827 |
| Total Gross Liability | 69,383 | <u>\$21,969</u> | <u>\$91,352</u> |
| Less: Amounts Held in Reserve | <u>(12,288)</u> | | |
| Net Obligation | <u>\$57,095</u> | | |

The Village of Lodi is a Financing Participant with an ownership percentage of .94%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venter JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW to backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009 Lodi has met their debt coverage obligation.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

10. Joint Ventures (Continued)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increase shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGEA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 13, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 for the periods 2005 through 2024.

On a unaudited basis the Village's net investment to date in OMEGA JV5 was \$112,641 at December 31, 2009. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Lodi, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 17, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 17, 2010.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 17, 2010

**VILLAGE OF LODI
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2007-001 | Significant Deficiency: The Village's Revenue Budget Summary Report did not always agree to the Village's Amended Certificate of Estimated Resources | Yes | Finding No Longer Valid. |
| 2007-002 | Noncompliance Citation: Ohio Rev. Code Section 135.14(D) – the Village held two investments which exceed 5 year maximum maturity requirements. | Yes | Finding No Longer Valid |



Mary Taylor, CPA
Auditor of State

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
MARCH 25, 2010**