

***VILLAGE OF LODI***

**MEDINA COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2013 & 2012**





# Dave Yost • Auditor of State

Village Council  
Village of Lodi  
110 Ainsworth Street  
Lodi, Ohio 44254

We have reviewed the *Independent Auditor's Report* of the Village of Lodi, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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 that reads "Dave Yost".

Dave Yost  
Auditor of State

July 21, 2014

VILLAGE OF LODI  
MEDINA COUNTY

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**INDEPENDENT AUDITOR'S REPORT**

Village of Lodi  
Medina County  
110 Ainsworth Street  
Lodi, Ohio 44254

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Lodi, Medina County, (the Village) as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

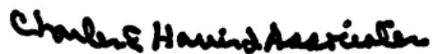
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lodi, Medina County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 20, 2014

**VILLAGE OF LODI  
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 550,665	-	-	-	\$ 550,665
Intergovernmental	172,575	\$ 136,001	-	-	308,576
Special Assessments	-	-	-	\$ 12,761	12,761
Charges for Services	342,462	-	-	500	342,962
Fines, Licenses and Permits	4,046	2,434	-	-	6,480
Earnings on Investments	8,071	407	-	-	8,478
Miscellaneous	-	320	-	-	320
<i>Total Cash Receipts</i>	<u>1,077,819</u>	<u>139,162</u>	<u>-</u>	<u>13,261</u>	<u>1,230,242</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	634,647	-	-	-	634,647
Leisure Time Activities	4,880	-	-	-	4,880
Community Environment	7,251	-	-	-	7,251
Transportation	-	133,300	-	-	133,300
General Government	208,452	303	-	67	208,822
Capital Outlay	23,465	19,250	-	54,936	97,651
Debt Service:					
Principal Retirement	-	1,420	-	-	1,420
<i>Total Cash Disbursements</i>	<u>878,695</u>	<u>154,273</u>	<u>-</u>	<u>55,003</u>	<u>1,087,971</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	199,124	(15,111)	-	(41,742)	142,271
<b>Other Financing Receipts (Disbursements)</b>					
Other Financing Sources	18,289	107	-	-	18,396
<i>Total Other Financing Receipts (Disbursements)</i>	<u>18,289</u>	<u>107</u>	<u>-</u>	<u>-</u>	<u>18,396</u>
<i>Net Change in Fund Cash Balances</i>	217,413	(15,004)	-	(41,742)	160,667
<i>Fund Cash Balances, January 1</i>	<u>248,027</u>	<u>236,502</u>	<u>\$ 16,982</u>	<u>84,743</u>	<u>586,254</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	221,498	16,982	37,971	276,451
Committed	-	-	-	5,030	5,030
Unassigned	465,440	-	-	-	465,440
<i>Fund Cash Balances, December 31</i>	<u>\$ 465,440</u>	<u>\$ 221,498</u>	<u>\$ 16,982</u>	<u>\$ 43,001</u>	<u>\$ 746,921</u>

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

**VILLAGE OF LODI  
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals - (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 5,397,039	-	\$ 5,397,039
Fines, Licenses and Permits	350	-	350
<i>Total Operating Cash Receipts</i>	<u>5,397,389</u>	<u>-</u>	<u>5,397,389</u>
<b>Operating Cash Disbursements</b>			
Personal Services	586,337	-	586,337
Employee Fringe Benefits	261,635	-	261,635
Contractual Services	536,671	-	536,671
Supplies and Materials	2,853,115	-	2,853,115
<i>Total Operating Cash Disbursements</i>	<u>4,237,758</u>	<u>-</u>	<u>4,237,758</u>
<i>Operating Income (Loss)</i>	1,159,631	-	1,159,631
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	41,021	\$ 565	41,586
Capital Outlay	(158,542)	-	(158,542)
Principal Retirement	(400,540)	-	(400,540)
Interest and Other Fiscal Charges	(7,475)	-	(7,475)
Other Financing Sources	-	53,325	53,325
Other Financing Uses	-	(38,586)	(38,586)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(525,536)</u>	<u>15,304</u>	<u>(510,232)</u>
<i>Income (Loss)</i>	634,095	15,304	649,399
<i>Fund Cash Balances, January 1</i>	<u>2,821,824</u>	<u>211,647</u>	<u>3,033,471</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,455,919</u>	<u>\$ 226,951</u>	<u>\$ 3,682,870</u>

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

**VILLAGE OF LODI  
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 393,429	-	-	-	\$ 393,429
Intergovernmental	198,267	\$ 135,753	-	-	334,020
Special Assessments	-	-	-	\$ 6,787	6,787
Charges for Services	339,648	-	-	1,000	340,648
Fines, Licenses and Permits	3,597	845	-	-	4,442
Earnings on Investments	8,076	971	-	-	9,047
Miscellaneous	-	320	-	-	320
<i>Total Cash Receipts</i>	<u>943,017</u>	<u>137,889</u>	<u>-</u>	<u>7,787</u>	<u>1,088,693</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	659,541	933	-	-	660,474
Leisure Time Activities	11,001	-	-	-	11,001
Community Environment	8,389	-	-	-	8,389
Transportation	12,302	154,773	-	-	167,075
General Government	229,925	1,039	-	81	231,045
Capital Outlay	10,670	-	-	57,212	67,882
Debt Service:					
Principal Retirement	-	1,420	-	-	1,420
<i>Total Cash Disbursements</i>	<u>931,828</u>	<u>158,165</u>	<u>-</u>	<u>57,293</u>	<u>1,147,286</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	11,189	(20,276)	-	(49,506)	(58,593)
<b>Other Financing Receipts (Disbursements)</b>					
Other Financing Sources	1,321	-	-	-	1,321
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,321</u>
<i>Net Change in Fund Cash Balances</i>	12,510	(20,276)	-	(49,506)	(57,272)
<i>Fund Cash Balances, January 1</i>	<u>235,517</u>	<u>256,778</u>	<u>\$ 16,982</u>	<u>134,249</u>	<u>643,526</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	236,502	16,982	24,777	278,261
Committed	-	-	-	59,966	59,966
Unassigned	248,027	-	-	-	248,027
<i>Fund Cash Balances, December 31</i>	<u>\$ 248,027</u>	<u>\$ 236,502</u>	<u>\$ 16,982</u>	<u>\$ 84,743</u>	<u>\$ 586,254</u>

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

**VILLAGE OF LODI  
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals - (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 5,298,188	-	\$ 5,298,188
Fines, Licenses and Permits	50	-	50
<i>Total Operating Cash Receipts</i>	<u>5,298,238</u>	<u>-</u>	<u>5,298,238</u>
<b>Operating Cash Disbursements</b>			
Personal Services	619,812	-	619,812
Employee Fringe Benefits	287,383	-	287,383
Contractual Services	554,024	-	554,024
Supplies and Materials	2,894,464	-	2,894,464
<i>Total Operating Cash Disbursements</i>	<u>4,355,683</u>	<u>-</u>	<u>4,355,683</u>
<i>Operating Income (Loss)</i>	942,555	-	942,555
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	26,483	\$ 309	26,792
Capital Outlay	(162,060)	-	(162,060)
Principal Retirement	(649,740)	-	(649,740)
Interest and Other Fiscal Charges	(12,077)	-	(12,077)
Other Financing Sources	-	54,905	54,905
Other Financing Uses	-	(39,300)	(39,300)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(797,394)</u>	<u>15,914</u>	<u>(781,480)</u>
<i>Income (Loss)</i>	145,161	15,914	161,075
<i>Fund Cash Balances, January 1</i>	<u>2,676,663</u>	<u>195,733</u>	<u>2,872,396</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,821,824</u>	<u>\$ 211,647</u>	<u>\$ 3,033,471</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, 2013 AND 2012**

**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, (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, and maintenance of village roads, parks, police and fire and rescue service.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity risk pool. Note 7 to the financial statements provides additional information for the entity. The Village also participates in three joint ventures. Note 9 to the financial statements provides additional information on these entities. The organizations are:

Jointly Governed Organizations:

Ohio Municipal Electric Generation Agency (OMEGA JV1)  
Ohio Municipal Electric Generation Agency (OMEGA JV2)  
Ohio Municipal Electric Generation Agency (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 9 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 U.S. Treasury Notes and U.S. Government Agency securities at cost. 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, 2013 AND 2012  
(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**

These funds account 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 Improvement Fund – This fund receives transfers from the general fund to complete major capital improvements.

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, 2013 AND 2012  
(Continued)

1. **Summary of Significant Accounting Policies (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 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reapportioned in the subsequent year.

VILLAGE OF LODI  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF LODI  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**G. 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.

**H. 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:

	2013	2012
Demand deposits	\$559,728	\$707,325
Total deposits	559,728	707,325
Certificates of Deposit	1,960,000	0
Government Bonds	250,000	0
Money Market Funds	7,750	0
STAR Ohio	1,652,313	2,912,400
Total investments	3,870,063	2,912,400
Total deposits and investments	\$4,429,791	\$3,619,725

**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 Government Bonds in book-entry form by, 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, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,020,034	\$1,096,108	\$76,074
Special Revenue	141,400	139,269	(2,131)
Debt Service	0	0	0
Capital Projects	3,000	13,261	10,261
Enterprise	5,448,200	5,438,410	(9,790)
Total	\$6,612,634	\$6,687,048	\$74,414

**2013 Budgeted vs. Actual Budgetary Basis Disbursements**

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,102,900	\$878,695	\$224,205
Special Revenue	311,324	154,273	157,051
Debt Service	16,982	0	16,982
Capital Projects	79,081	55,003	24,078
Enterprise	6,990,000	4,804,315	2,185,685
Total	\$8,500,287	\$5,892,286	\$2,608,001

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$890,489	\$944,338	\$53,849
Special Revenue	142,950	137,889	(5,061)
Debt Service	0	0	0
Capital Projects	1,000	7,787	6,787
Enterprise	5,698,200	5,324,721	(373,479)
Total	\$6,732,639	\$6,414,735	(\$317,904)

**2012 Budgeted vs. Actual Budgetary Basis Disbursements**

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,124,200	\$931,828	\$192,372
Special Revenue	317,131	158,165	158,966
Debt Service	16,982	0	16,982
Capital Projects	129,586	57,293	72,293
Enterprise	7,129,000	5,179,560	1,949,440
Total	\$8,716,899	\$6,326,846	\$2,390,053

**VILLAGE OF LODI  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(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.

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, 2013 was as follows:

	Principal	Interest Rate
OPWC Loan	\$24,140	0%
Ohio Water Development Authority Loan	3,437,115	0.2%
Total	\$3,461,255	

The Ohio Water Development Authority (OWDA) loan relates to a new water and sewer plant project that was mandated by the Ohio Environmental Protection Agency mandated. The Village will repay the loans in semiannual installments of \$204,008, including interest, 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 Ohio Public Works Commission (OPWC) loan was for reconstruction of Grandview Drive.

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

Year ending December 31:	OPWC Loan	OWDA Loan
2014	\$ 1,420	\$ 204,008
2015	1,420	408,016
2016	1,420	408,016
2017	1,420	408,016
2018	1,420	408,016
2019-2023	7,100	1,631,860
2024-2028	7,100	-
2029-2030	2,840	-
Total	\$ 24,140	\$ 3,467,932

VILLAGE OF LODI  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

**6. Retirement Systems**

The Village's 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. From Jan. 1, 2012 through July 1, 2013, OP&F plan members were required to contribute 10% of their annual covered salary. From July 2, 2013 through Dec. 31, 2013, OP&F plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, the Village was required to contribute 19.5% for police officers. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**7. Risk Management**

**Risk Pool Membership**

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 changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2013, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under 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 surplus at March 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$ 833,561	\$ 1,097,683
Liabilities	<u>(782,525)</u>	<u>(791,222)</u>
Accumulated Surplus	\$ <u>51,036</u>	\$ <u>306,461</u>

**VILLAGE OF LODI  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Contingent Liabilities/Subsequent Events**

Management believes there are no pending claims or lawsuits.

**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 JV1 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 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 revenues 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, 2013 the Village of Lodi has met their debt coverage obligation.

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, which acts as the joint venture's agent. During 2001, AMP 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.

**VILLAGE OF LODI  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. Joint Ventures (continued)**

On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2013, the outstanding debt was \$15,769,323. The Village's net obligation for this amount at December 31, 2013 was \$33,116. The Village's net investment in OMEGA JV2 was \$37,046 at December 31, 2013. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2013 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
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	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**VILLAGE OF LODI  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. Joint Ventures (continued)**

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

Years	Principal	Interest	Total Debt Service
2014	\$ 7,868	\$ 425	\$ 8,293
2015	7,969	324	8,293
2016	8,071	222	8,293
2017-2020	9,208	131	9,339
Total Gross Liability	<u>\$ 33,116</u>	<u>\$ 1,101</u>	<u>\$ 34,217</u>
Net Obligation	<u>\$ 33,116</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 Venture 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.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of 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, 2013 Lodi has met their debt coverage obligation.

VILLAGE OF LODI  
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

**9. 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 increases 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.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP 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 15, 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 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$91,856 at December 31, 2013. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of Lodi  
Medina County  
110 Ainsworth Street  
Lodi, OH 44254

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Lodi, Medina County (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 20, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

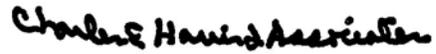
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Charles E. Harris" followed by "Associates" in a smaller, less legible script.

***Charles E. Harris and Associates, Inc.***  
June 20, 2014

**VILLAGE OF LODI  
MEDINA COUNTY  
DECEMBER 31, 2013 AND 2012**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the years ending December 31, 2011 and 2010, reported no material citations or recommendations.

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# Dave Yost • 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  
AUGUST 5, 2014