



Dave Yost • Auditor of State

VILLAGE OF LODI
MEDINA COUNTY

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Dave Yost • Auditor of State

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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lodi, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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, Ohio as of December 31, 2015 and 2014, 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 3, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

June 3, 2016

**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$530,151				\$530,151
Intergovernmental	174,795	\$136,743			311,538
Special Assessments				\$17,558	17,558
Charges for Services	367,002				367,002
Fines, Licenses and Permits	5,402	1,120			6,522
Earnings on Investments	26,961	1,190			28,151
Miscellaneous	10,415	492			10,907
<i>Total Cash Receipts</i>	<u>1,114,726</u>	<u>139,545</u>		<u>17,558</u>	<u>1,271,829</u>
Cash Disbursements					
Current:					
Security of Persons and Property	800,903				800,903
Leisure Time Activities	6,125				6,125
Community Environment	17,729				17,729
Transportation	82,437	128,712			211,149
General Government	223,540			92	223,632
Capital Outlay	87,394	23,425		20,440	131,259
Debt Service:					
Principal Retirement		1,420			1,420
<i>Total Cash Disbursements</i>	<u>1,218,128</u>	<u>153,557</u>		<u>20,532</u>	<u>1,392,217</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(103,402)</u>	<u>(14,012)</u>		<u>(2,974)</u>	<u>(120,388)</u>
Other Financing Receipts					
Other Financing Sources	10,456	55			10,511
<i>Net Change in Fund Cash Balances</i>	(92,946)	(13,957)		(2,974)	(109,877)
<i>Fund Cash Balances, January 1</i>	<u>438,497</u>	<u>264,104</u>	<u>\$16,982</u>	<u>35,117</u>	<u>754,700</u>
Fund Cash Balances, December 31					
Restricted		250,147	16,982	32,143	299,272
Unassigned	345,551				345,551
<i>Fund Cash Balances, December 31</i>	<u>\$345,551</u>	<u>\$250,147</u>	<u>\$16,982</u>	<u>\$32,143</u>	<u>\$644,823</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 (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$5,872,964		\$5,872,964
Fines, Licenses and Permits	200		200
<i>Total Operating Cash Receipts</i>	<u>5,873,164</u>		<u>5,873,164</u>
Operating Cash Disbursements			
Personal Services	604,384		604,384
Employee Fringe Benefits	282,809		282,809
Contractual Services	593,868		593,868
Supplies and Materials	3,422,278		3,422,278
<i>Total Operating Cash Disbursements</i>	<u>4,903,339</u>		<u>4,903,339</u>
<i>Operating Income</i>	<u>969,825</u>		<u>969,825</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	228,720		228,720
Miscellaneous Receipts	29,685		29,685
Capital Outlay	(575,295)		(575,295)
Principal Retirement	(407,774)		(407,774)
Interest and Other Fiscal Charges	(10,418)		(10,418)
Other Financing Sources		\$50,375	50,375
Other Financing Uses		(39,500)	(39,500)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(735,082)</u>	<u>10,875</u>	<u>(724,207)</u>
<i>Net Change in Fund Cash Balances</i>	234,743	10,875	245,618
<i>Fund Cash Balances, January 1</i>	<u>3,726,534</u>	<u>239,095</u>	<u>3,965,629</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,961,277</u></u>	<u><u>\$249,970</u></u>	<u><u>\$4,211,247</u></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 (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$549,734				\$549,734
Intergovernmental	170,180	\$136,383		\$87,834	394,397
Special Assessments				18,952	18,952
Charges for Services	345,543			500	346,043
Fines, Licenses and Permits	6,050	1,745			7,795
Earnings on Investments	14,524	675			15,199
Miscellaneous	40,297	320			40,617
<i>Total Cash Receipts</i>	<u>1,126,328</u>	<u>139,123</u>		<u>107,286</u>	<u>1,372,737</u>
Cash Disbursements					
Current:					
Security of Persons and Property	725,517	5,660			731,177
Leisure Time Activities	5,696				5,696
Community Environment	13,219				13,219
Transportation	102,074	70,979			173,053
General Government	255,560			153	255,713
Capital Outlay	68,567	18,922		115,017	202,506
Debt Service:					
Principal Retirement		1,420			1,420
<i>Total Cash Disbursements</i>	<u>1,170,633</u>	<u>96,981</u>		<u>115,170</u>	<u>1,382,784</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(44,305)</u>	<u>42,142</u>		<u>(7,884)</u>	<u>(10,047)</u>
Other Financing Receipts					
Other Financing Sources	17,362	464			17,826
<i>Net Change in Fund Cash Balances</i>	<u>(26,943)</u>	<u>42,606</u>		<u>(7,884)</u>	<u>7,779</u>
<i>Fund Cash Balances, January 1</i>	<u>465,440</u>	<u>221,498</u>	<u>\$16,982</u>	<u>43,001</u>	<u>746,921</u>
Fund Cash Balances, December 31					
Restricted		264,104	16,982	35,117	316,203
Unassigned	438,497				438,497
<i>Fund Cash Balances, December 31</i>	<u>\$438,497</u>	<u>\$264,104</u>	<u>\$16,982</u>	<u>\$35,117</u>	<u>\$754,700</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 (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$5,767,660		\$5,767,660
Fines, Licenses and Permits	550		550
<i>Total Operating Cash Receipts</i>	<u>5,768,210</u>		<u>5,768,210</u>
Operating Cash Disbursements			
Personal Services	606,316		606,316
Employee Fringe Benefits	266,329		266,329
Contractual Services	560,058		560,058
Supplies and Materials	3,376,004		3,376,004
<i>Total Operating Cash Disbursements</i>	<u>4,808,707</u>		<u>4,808,707</u>
<i>Operating Income</i>	<u>959,503</u>		<u>959,503</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	41,411	\$89	41,500
Capital Outlay	(322,283)		(322,283)
Principal Retirement	(401,342)		(401,342)
Interest and Other Fiscal Charges	(6,674)		(6,674)
Other Financing Sources		56,550	56,550
Other Financing Uses		(44,495)	(44,495)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(688,888)</u>	<u>12,144</u>	<u>(676,744)</u>
<i>Net Change in Fund Cash Balances</i>	270,615	12,144	282,759
<i>Fund Cash Balances, January 1</i>	<u>3,455,919</u>	<u>226,951</u>	<u>3,682,870</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,726,534</u></u>	<u><u>\$239,095</u></u>	<u><u>\$3,965,629</u></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, 2015 AND 2014**

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 participates in the Ohio Municipal Joint Self-Insurance Pool, public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village also participates in three joint ventures. Note 9 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 9 to the financial statement describes these assets.

B. Accounting Basis

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 common stock 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, 2015 AND 2014
(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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 motor vehicle license tax which the Village can only use for planning, construction, improving, maintaining, and repairing Village roads.

3. Debt Service Funds

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Debt Service Fund – This fund receives special assessments which the Village uses to retire special assessment bond debt.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

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

Issue II Stormwater - This fund recorded receipts and disbursements from a state grant for the Highland Drive storm water project.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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. 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 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 reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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). The Village must adhere to these commitments unless the Council amends the resolution. 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.

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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2015	2014
Demand deposits	\$565,168	\$456,931
Certificates of deposit	2,205,000	1,960,000
Total deposits	2,770,168	2,416,931
STAR Ohio	2,055,084	2,052,903
Government Bonds		250,000
Money Market Funds	30,818	495
Total investments	2,085,902	2,303,398
Total deposits and investments	\$4,856,070	\$4,720,329

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,039,635	\$1,125,182	\$85,547
Special Revenue	140,000	139,600	(400)
Capital Projects	10,000	17,558	7,558
Enterprise	5,562,300	6,131,569	569,269
Total	\$6,751,935	\$7,413,909	\$661,974

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,477,500	\$1,218,128	\$259,372
Special Revenue	373,711	153,557	220,154
Debt Service	16,981	-	16,981
Capital Projects	33,000	20,532	12,468
Enterprise	8,240,300	5,896,826	2,343,474
Total	\$10,141,492	\$7,289,043	\$2,852,449

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,026,353	\$1,143,690	\$117,337
Special Revenue	140,000	139,587	(413)
Capital Projects	108,499	107,286	(1,213)
Enterprise	5,696,715	5,809,621	112,906
Total	\$6,971,567	\$7,200,184	\$228,617

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,419,155	\$1,170,633	\$248,522
Special Revenue	253,280	96,981	156,299
Debt Service	16,981	-	16,981
Capital Projects	125,864	115,170	10,694
Enterprise	8,066,000	5,539,006	2,526,994
Total	\$9,881,280	\$6,921,790	\$2,959,490

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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$21,300	0%
Ohio Water Development Authority Loan - Sewer Plant	2,633,628	0.2%
Ohio Water Development Authority Loan - Water Line Project	223,091	2%
Total	\$2,878,019	

The Ohio Water Development Authority (OWDA) Loan – Sewer Plant relates to a new sewer plant project that was mandated by the Ohio Environmental Protection Agency. The Village will repay the loan in semi-annual 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 the reconstruction of Grandview Drive.

The OWDA Loan – Water Line Project relates to a new water line construction project. The Village will repay the loan in semi-annual installments of \$5,088. The loan is secured by water receipts.

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

Year ending December 31:	OPWC Loan	OWDA Loan Sewer Plant	OWDA Loan Water Line Project
2016	\$1,420	\$204,008	\$10,175
2017	1,420	408,016	10,175
2018	1,420	408,016	10,175
2019	1,420	408,016	10,175
2020	1,420	408,016	10,175
2021-2025	7,100	797,556	50,875
2026-2030	7,100		50,875
2031-2035			50,875
2036-2037			19,591
Total	\$21,300	\$2,633,628	\$223,091

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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. From July 1, 2013 through June 30, 2014, OP&F participants contributed 10.75% of their wages. From July 1, 2014 through June 30, 2015 OP&F participants contributed 11.5% of their wages. From July 1, 2015 and thereafter, OP&F participants contributed 12.25% of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014 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, 2015.

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, 2015, retention levels are \$50,000 and \$100,000 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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$ 1,339,719	\$ 1,030,198
Liabilities	<u>(1,051,927)</u>	<u>(882,203)</u>
Accumulated Surplus	\$ <u>287,792</u>	\$ <u>147,995</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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. JOINT VENTURES

OMEGA JV2

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, 2015 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. 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, 2015, the outstanding debt was \$8,052,470. The Village's net obligation for this amount at December 31, 2015 was \$16,910. The Village's net investment in OMEGA JV2 was \$26,970 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. JOINT VENTURES (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

<u>Municipality</u>	Percent <u>Ownership</u>	Kw <u>Entitlement</u>	<u>Municipality</u>	Percent <u>Ownership</u>	Kw <u>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>100.00%</u>	<u>134,081</u>

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$8,071	\$222	\$8,293
2017-2020	9,030	131	9,161
Total Gross Liability	<u>\$17,101</u>	<u>\$353</u>	<u>\$17,454</u>
Net Obligation	<u>\$17,101</u>		

OMEGA JV5

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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. JOINT VENTURES (Continued)

Also 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, 2015 Lodi has met their debt coverage obligation.

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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187.* AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$28,086 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

* Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

10. SEGMENT INFORMATION

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 9. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	2015	2014
Total Assets	\$2,030,667	\$1,734,886
Total Liabilities	\$839,068	\$772,110
 Condensed Operating Information:		
Operating Receipts		
Charges for Services	4,317,422	4,228,860
Operating Expenses	4,001,162	3,984,546
Operating Income (Loss)	316,260	244,314
Nonoperating Receipts (Disbursements)		
Other Nonoperating Receipts (Disbursements)	(20,479)	(150,732)
Change in Fund Cash Balance	295,781	93,582
Beginning Fund Cash Balance	1,734,886	1,641,304
Ending Fund Cash Balance	\$2,030,667	\$1,734,886
 Condensed Cash Flows Information:		
	2015	2014
Net Cash Provided (Used) by:		
Operating Activities	\$316,260	\$244,314
Noncapital Financing Activities		
Other Noncapital Financing Activities	22,872	27,854
Capital and Related Financing Activities		
Other Capital and Related Financing Activities	(43,351)	(178,586)
Net Increase (Decrease)	295,781	93,582
Beginning Fund Cash Balance	1,734,886	1,641,304
Ending Fund Cash Balance	\$2,030,667	\$1,734,886



Dave Yost • Auditor of State

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, Ohio 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 cash balances, receipts, and disbursements by fund type of the Village of Lodi, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 3, 2016 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

June 3, 2016



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
JUNE 16, 2016