



**VILLAGE OF LODI
MEDINA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF LODI
MEDINA COUNTY

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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

May 9, 2008

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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, 2007 and 2006. 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, during 2007 and 2006, the Village revised its financial statement presentation to follow 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, 2007 and 2006 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, 2007 and 2006, 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, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As further described in Note 3, the Village restated its Combined Capital Projects Funds' and Combined Enterprise Funds' fund balances to account for a fund type reclassification.

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 May 9, 2008, 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

May 9, 2008

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, 2007

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$494,594				\$494,594
Intergovernmental	142,799	\$149,367		\$1,394	293,560
Special Assessments			\$11,210		11,210
Charges for Services	322,470			1,000	323,470
Fines, Licenses and Permits	10,572	893			11,465
Earnings on Investments	261,936	16,532			278,468
Total Cash Receipts	1,232,371	166,792	11,210	2,394	1,412,767
Cash Disbursements:					
Current:					
Security of Persons and Property	546,032				546,032
Leisure Time Activities	6,756	2,152			8,908
Community Environment	16,383				16,383
Transportation	77,970	171,403			249,373
General Government	241,869	2,115			243,984
Debt Service:					
Redemption of Principal			5,200		5,200
Interest and Fiscal Charges			1,664		1,664
Capital Outlay	109,722	65,476			175,198
Total Cash Disbursements	998,732	241,146	6,864	0	1,246,742
Total Cash Receipts Over/(Under) Cash Disbursements	233,639	(74,354)	4,346	2,394	166,025
Other Financing Cash Receipts / (Disbursements):					
Transfers-In				25,000	25,000
Transfers-Out	(25,000)				(25,000)
Other Financing Sources	1,728				1,728
Other Financing Uses			(346)	(228)	(574)
Total Other Financing Cash Receipts / (Disbursements)	(23,272)		(346)	24,772	1,154
Excess of Cash Receipts and Other Financing Cash Receipts Over/(Under) Cash Disbursements and Other Financing Cash Disbursements	210,367	(74,354)	4,000	27,166	167,179
Fund Cash Balances, January 1	501,537	456,472	4,115	168,640	1,130,764
Fund Cash Balances, December 31	\$711,904	\$382,118	\$8,115	\$195,806	\$1,297,943

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, 2007**

	<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	\$5,037,996		\$5,037,996
Fines, Licenses and Permits		\$8,183	8,183
Total Operating Cash Receipts	<u>5,037,996</u>	<u>8,183</u>	<u>5,046,179</u>
Operating Cash Disbursements:			
Personal Services	765,896		765,896
Contractual Services	531,653		531,653
Supplies and Materials	2,807,138		2,807,138
Other		8,183	8,183
Total Operating Cash Disbursements	<u>4,104,687</u>	<u>8,183</u>	<u>4,112,870</u>
Operating Income	<u>933,309</u>		<u>933,309</u>
Non-Operating Cash Receipts:			
Sale of Notes	1,500,000		1,500,000
Sale of Fixed Assets	3,167		3,167
Miscellaneous Receipts	22,971		22,971
Other Non-Operating Cash Receipts		55,800	55,800
Total Non-Operating Cash Receipts	<u>1,526,138</u>	<u>55,800</u>	<u>1,581,938</u>
Non-Operating Cash Disbursements:			
Capital Outlay	138,397		138,397
Redemption of Principal	2,224,062		2,224,062
Interest and Other Fiscal Charges	77,746		77,746
Other Non-Operating Cash Disbursements		39,600	39,600
Total Non-Operating Cash Disbursements	<u>2,440,205</u>	<u>39,600</u>	<u>2,479,805</u>
Net Cash Receipts Over/(Under) Cash Disbursements	19,242	16,200	35,442
Fund Cash Balances, January 1	<u>2,955,636</u>	<u>147,118</u>	<u>3,102,754</u>
Fund Cash Balances, December 31	<u>\$2,974,878</u>	<u>\$163,318</u>	<u>\$3,138,196</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, 2006

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$393,501				\$393,501
Intergovernmental	193,171	\$153,106		\$294	346,571
Special Assessments			\$8,660	18,750	27,410
Charges for Services	345,065	750		1,000	346,815
Fines, Licenses and Permits	6,654	1,351			8,005
Earnings on Investments	170,051	17,754			187,805
Total Cash Receipts	1,108,442	172,961	8,660	20,044	1,310,107
Cash Disbursements:					
Current:					
Security of Persons and Property	557,316				557,316
Leisure Time Activities	5,768	30			5,798
Community Environment	11,879				11,879
Transportation	4,418	188,604			193,022
General Government	227,332	2,256			229,588
Debt Service:					
Redemption of Principal			5,200		5,200
Interest and Fiscal Charges			2,080		2,080
Capital Outlay	44,460	115,742		82,889	243,091
Total Cash Disbursements	851,173	306,632	7,280	82,889	1,247,974
Total Cash Receipts Over/(Under) Cash Disbursements	257,269	(133,671)	1,380	(62,845)	62,133
Other Financing Receipts / (Disbursements):					
Transfers-In				68,400	68,400
Transfers-Out	(68,400)				(68,400)
Other Financing Sources	1,512				1,512
Other Financing Uses			(260)	(277)	(537)
Total Other Financing Cash Receipts / (Disbursements)	(66,888)		(260)	68,123	975
Excess of Cash Receipts and Other Financing Cash Receipts Over/(Under) Cash Disbursements and Other Financing Cash Disbursements	190,381	(133,671)	1,120	5,278	63,108
Fund Cash Balances, January 1	311,156	590,143	2,995	163,362	1,067,656
Fund Cash Balances, December 31	\$501,537	\$456,472	\$4,115	\$168,640	\$1,130,764

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, 2006**

	<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	\$4,775,733		\$4,775,733
Fines, Licenses and Permits		\$10,004	10,004
Miscellaneous	24,554		24,554
	<u>4,800,287</u>	<u>10,004</u>	<u>4,810,291</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	702,662		702,662
Contractual Services	538,336		538,336
Supplies and Materials	2,708,427		2,708,427
Other		10,004	10,004
	<u>3,949,425</u>	<u>10,004</u>	<u>3,959,429</u>
Total Operating Cash Disbursements			
Operating Income	<u>850,862</u>		<u>850,862</u>
Non-Operating Cash Receipts:			
Sale of Notes	1,800,000		1,800,000
Miscellaneous Receipts	25,530		25,530
Other Non-Operating Cash Receipts	27,391	52,800	80,191
	<u>1,852,921</u>	<u>52,800</u>	<u>1,905,721</u>
Total Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Capital Outlay	209,684		209,684
Redemption of Principal	2,423,216		2,423,216
Interest and Other Fiscal Charges	80,027		80,027
Other Non-Operating Cash Disbursements		38,343	38,343
	<u>2,712,927</u>	<u>38,343</u>	<u>2,751,270</u>
Total Non-Operating Cash Disbursements			
Net Cash Receipts Over/(Under) Cash Disbursements	(9,144)	14,457	5,313
Fund Cash Balances, January 1	<u>2,964,780</u>	<u>132,661</u>	<u>3,097,441</u>
Fund Cash Balances, December 31	<u>\$2,955,636</u>	<u>\$147,118</u>	<u>\$3,102,754</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, 2007 AND 2006**

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

During 2005 and 2004, the Village followed the modified cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting principles applicable to the modified cash accounting basis.

During 2007 and 2006, the Village continued to use the modified cash accounting basis, but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. 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. Cash 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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (continued)

C. Cash and Investments (continued)

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.

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.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

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

D. **Fund Accounting (continued)**

4. **Capital Project Funds (continued)**

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

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, unclaimed funds, and Mayor's Court activity.

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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

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.

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 2007 and 2006 budgetary activity appears in Note 4.

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 Cash and Investments

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

	2007	2006
Demand deposits	\$679,919	\$400,162
Certificates of deposit	106,095	202,620
Total deposits	786,014	602,782
U.S. Treasury Notes	1,592,256	2,508,396
STAR Ohio	2,034,288	1,043,382
Money Market	7,981	58,158
Special Assessment Manuscript Bonds	15,600	20,800
Total investments	3,650,125	3,630,736
Total deposits and investments	\$4,436,139	\$4,233,518

\$513,000 of 2006 investments in U.S. agency securities exceeded the maximum maturities allowable by the Ohio Revised Code. These investments were sold during December 2007 with no loss in value.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash and Investments (continued)

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.

3. Fund Type Reclassification

The Village reclassified its Storm Sewer Fund from a Capital Project Fund Type to an Enterprise Fund Type. As such, the January 1, 2006 Combined Capital Project Funds and Combined Enterprise Fund's fund balances were restated from \$211,487 and \$2,916,655 (as previously reported) to \$163,362 and \$2,964,780, respectively.

4. Budgetary Activity

Budgetary activity for the years ended 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$960,601	\$1,234,099	\$273,498
Special Revenue	153,700	166,792	13,092
Debt Service	9,200	11,210	2,010
Capital Projects	38,000	27,394	(10,606)
Enterprise	9,594,589	6,564,134	(3,030,455)
Total	\$10,756,090	\$8,003,629	(\$2,752,461)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,363,900	\$1,023,732	\$340,168
Special Revenue	512,878	241,146	271,732
Debt Service	7,364	7,210	154
Capital Projects	161,289	228	161,061
Enterprise	8,032,300	6,544,892	1,487,408
Total	\$10,077,731	\$7,817,208	\$2,260,523

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Budgetary Activity (continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$897,957	\$1,109,954	\$211,997
Special Revenue	228,460	172,961	(55,499)
Debt Service	8,100	8,660	560
Capital Projects	72,000	88,444	16,444
Enterprise	4,954,243	6,653,208	1,698,965
Total	\$6,160,760	\$8,033,227	\$1,872,467

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,174,350	\$919,573	\$254,777
Special Revenue	607,631	306,632	300,999
Debt Service	7,780	7,540	240
Capital Projects	177,050	83,166	93,884
Enterprise	6,565,284	6,662,352	(97,068)
Total	\$8,532,095	\$7,979,263	\$552,832

5. 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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 6,560,460	0.00%
America Municipal Power - Ohio Inc. Electrical System Improvement Bond Anticipation Notes	1,500,000	3.75%
Special Assessment Bonds (Internally Funded)	15,600	5.00%
Total	\$8,076,060	

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 within 3 years. This bond was purchased by the Village's General Fund and is included as part of the General Fund's Cash Fund balance.

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

	OWDA Loan	Special Assessment G.O. Manuscript Bond	AMP-Ohio Revenue Bond Anticipation Note	Interest
Year ending December 31:				
2008	\$437,364	\$5,200	\$1,500,000	\$57,498
2009	437,364	5,200		832
2010	437,364	5,200		416
2011	437,364			
2012-16	2,186,820			
2018-22	2,186,820			
2018-22	437,364			
Total	\$6,560,460	\$15,600	\$1,500,000	\$58,746

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. 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 2007 and 2006, OP&F participants contributed 10 percent of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9.5 percent and 9.0 percent, respectively, of their gross salaries and the Village contributed an amount equaling 13.8 percent and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. 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 Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan 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.

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, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>
Assets	\$2,331,284	\$ 2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>

9. 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, 2007 AND 2006
(Continued)**

10. 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, 2007 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-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. The Village's net obligation for these bonds at December 31, 2007 was \$66,096 (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). The Village's net investment in OMEGA JV2 was \$63,979 at December 31, 2007. 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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. Joint Ventures (continued)

The thirty-six participating subdivision and their respective ownership shares at December 31, 2007 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
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
	95.20%	127,640		4.80%	6,441
			Grand Total	100%	134,081

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. Joint Ventures (continued)

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

Years	Principal	Interest	Total Debt Service
2008	\$4,398	\$3,909	\$8,307
2009	4,616	3,689	8,305
2010	4,844	3,458	8,302
2011	5,103	3,204	8,307
2012	5,373	2,936	8,309
2013-2020	54,063	12,371	66,434
Total Gross Liability	78,397	<u>\$29,567</u>	<u>\$107,964</u>
Less: Amounts Held in Reserve	<u>(12,301)</u>		
Net Obligation	<u>\$66,096</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, 2007 Lodi has met their debt coverage obligation.

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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.

The Village's net investment to date in OMEGA JV5 was \$84,125 at December 31, 2007. 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.



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, 2007 and 2006, and have issued our report thereon dated May 9, 2008, wherein we noted the Village revised its financial statement presentation to follow accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, the Village restated its Combined Capital Projects Funds' and Combined Enterprise Funds' fund balances to account for a fund type reclassification. 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 expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: Finding Number 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 9, 2008.

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 instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item: Finding Number 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 9, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

May 9, 2008

**VILLAGE OF LODI
MEDINA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Significant Deficiency:

Budgetary Reports

The budgeted revenues posted to the Village's Revenue Budget Summary Report did not always agree to the Village's Amended Certificate of Estimated Resources. The following variances were noted:

<u>Fund</u>	<u>Certificate Estimated Resources</u>	<u>Ledger Estimated Resources</u>	<u>Variance</u>
<u>As of December 31, 2007:</u>			
101-General Fund	\$960,601	\$902,682	\$57,919
403-Sidewalk Fund	37,000	12,000	25,000
602/605-Sewer	1,127,189	690,000	437,189
603/606-Electric	7,940,000	5,640,000	2,300,000
<u>As of December 31, 2006:</u>			
101-General Fund	897,957	1,008,175	(110,218)
201-SCMR	166,200	111,500	54,700
202-State Highway	8,000	14,600	(6,600)
207-Parks	1,350	400	950
210-MV Permissive Tax	32,000	41,400	(9,400)
211-Emergency Vehicle	17,000	1,500	15,500
215-Enforcement & Education	370	250	120
216-Law Enforcement Trust	180	75	105
301-Debt Service	8,100	7,280	820
401-Capital Improvements	-	2,300	(2,300)
402-Fire Equipment	47,000	300	46,700
403-Sidewalk Fund	24,000	35,250	(11,250)
701-Court (Computer Fund Fees)	360		360
601-Water	446,000	441,900	4,100
602/605-Sewer	1,132,789	680,225	452,564
603/606-Electric	3,365,854	3,596,400	(230,546)
604-Storm Sewer	9,600	17,400	(7,800)

Failure to include accurate estimated revenue (resource) amounts makes it difficult for management compare actual revenue activity to the budget. In addition, this condition could result in over spending and/or non-compliance with budgetary requirements. The Village should ensure the estimated revenues posted to its accounting system are in agreement with the County Auditor's Amended Certificate of Estimated Resources.

**VILLAGE OF LODI
MEDINA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-001 (Continued)

Officials' Response: There was a prior Clerk-Treasurer when the estimated resources for 2006 were posted to the Village's computer system. The current Clerk-Treasurer is unaware of the reasons for variances in amounts from the 2006 certificate of estimated resources. However, as of December 2007, there were four variances. The estimates posted to the Village's computer system for these funds were based on information that caused the amounts to be received to change. The Clerk-Treasurer now understand that anytime anticipated revenue estimates change, an amended Certificate of Estimated Resources needs to be obtained from the County Auditor. In the future, the Village of Lodi fully intends to request changes in the Certificate of estimated resources from the county as necessary so this finding does not reoccur.

FINDING NUMBER 2007-002

Noncompliance citation

Ohio Rev. Code Section 135.14(D) generally requires investments to mature within 5 years from the date of settlement, unless the investment is matched to a specific obligation or debt of the subdivision. Additionally, **Ohio Rev. Code Section 135.13** provides interim deposits such as certificates of deposit must mature not more than one year from the date of deposit.

From January 2006 through December 2007, the Village had the following securities which exceed the 5 year maximum:

<u>Investment Type:</u>	<u>Principal Value:</u>	<u>Maturity Date:</u>
Federal National Mortgage Association	\$256,000	May 1, 2013
Federal National Mortgage Association	257,000	January 2, 2014

The Village should abide by the Ohio Revised Code requirements with respect to maximum maturities for its investments and should ensure the allocation of its investments is in accordance with its investment policy. The aforementioned investments were sold prior to December 31, 2007.

Officials' Response: The securities which exceeded the 5 year maximum were purchased by the Village prior to the current Clerk-Treasurer's administration. The Village acknowledged that the bonds were not in compliance with the 5 year maturity requirement and continued to track the bond market and sold the securities at a time when no money would be lost. In the future, the Village of Lodi fully intends to comply with the investment maturity requirements of the Ohio Revised Code.

**VILLAGE OF LODI
 MEDINA COUNTY
 SCHEDULE OF FINDINGS
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**VILLAGE OF LODI
 MEDINA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	The Village held investments which exceeded the allowable maximum maturities permitted by Ohio Rev. Code:	No	Repeated as Finding Number 2007-002.



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
JUNE 24, 2008