



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, 2017 and 2016.

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 such 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 2 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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Lodi, Medina County, Ohio, as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, 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

October 19, 2018

**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$546,851	\$132,091			\$678,942
Intergovernmental	196,804	375,916			572,720
Special Assessments				\$7,909	7,909
Charges for Services	446,526				446,526
Fines, Licenses and Permits	6,253	4,325			10,578
Earnings on Investments	55,991	1,988			57,979
Miscellaneous	8,349				8,349
<i>Total Cash Receipts</i>	<u>1,260,774</u>	<u>514,320</u>		<u>7,909</u>	<u>1,783,003</u>
Cash Disbursements					
Current:					
Security of Persons and Property	962,423	88,805			1,051,228
Leisure Time Activities	7,905				7,905
Community Environment	15,075				15,075
Transportation	84,088	107,742			191,830
General Government	217,299	2,566		27	219,892
Capital Outlay	100,889	324,283		3,919	429,091
Debt Service:					
Principal Retirement		1,420			1,420
<i>Total Cash Disbursements</i>	<u>1,387,679</u>	<u>524,816</u>		<u>3,946</u>	<u>1,916,441</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(126,905)</u>	<u>(10,496)</u>		<u>3,963</u>	<u>(133,438)</u>
Other Financing Receipts					
Other Financing Sources	7,593	22,716			30,309
Other Financing Uses	(42)				(42)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>7,551</u>	<u>22,716</u>			<u>30,267</u>
<i>Net Change in Fund Cash Balances</i>	<u>(119,354)</u>	<u>12,220</u>		<u>3,963</u>	<u>(103,171)</u>
<i>Fund Cash Balances, January 1</i>	<u>339,536</u>	<u>231,941</u>	<u>16,982</u>	<u>13,877</u>	<u>602,336</u>
Fund Cash Balances, December 31					
Nonspendable	4,444				4,444
Restricted		244,161	16,982	17,840	278,983
Unassigned (Deficit)	215,738				215,738
<i>Fund Cash Balances, December 31</i>	<u>\$220,182</u>	<u>\$244,161</u>	<u>\$16,982</u>	<u>\$17,840</u>	<u>\$499,165</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$5,898,392		\$5,898,392
Fines, Licenses and Permits	50		50
<i>Total Operating Cash Receipts</i>	<u>5,898,442</u>		<u>5,898,442</u>
Operating Cash Disbursements			
Personal Services	690,233		690,233
Employee Fringe Benefits	282,211		282,211
Contractual Services	548,500		548,500
Supplies and Materials	3,180,736		3,180,736
<i>Total Operating Cash Disbursements</i>	<u>4,701,680</u>		<u>4,701,680</u>
<i>Operating Income (Loss)</i>	<u>1,196,762</u>		<u>1,196,762</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	91,371		91,371
Capital Outlay	(459,226)		(459,226)
Principal Retirement	(409,614)		(409,614)
Interest and Other Fiscal Charges	(8,578)		(8,578)
Other Financing Sources		62,000	62,000
Other Financing Uses		(54,165)	(54,165)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(786,047)</u>	<u>7,835</u>	<u>(778,212)</u>
<i>Net Change in Fund Cash Balances</i>	410,715	7,835	418,550
<i>Fund Cash Balances, January 1</i>	<u>3,744,183</u>	<u>263,798</u>	<u>4,007,981</u>
<i>Fund Cash Balances, December 31</i>	<u>\$4,154,898</u>	<u>\$271,633</u>	<u>\$4,426,531</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

The Village of Lodi, Medina County, Ohio, (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Joint Ventures, Jointly Governed Organizations, and Public Entity Risk Pools

The Village participates in joint ventures, jointly governed organizations, and a public entity risk pool. Notes 6, 11, and 12 to the financial statements provides additional information for these entities which include:

Joint Ventures:

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

Jointly Governed Organization:

Harrisville-Lodi Union Cemetery District

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP)

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 11 to the financial statements describes these assets.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Issue 2 Street Fund This fund accounts for and reports state grant monies restricted for the Prospect Street renovation project.

Fire and EMS Fund This fund accounts for and reports tax levy transactions restricted for operation of the Fire and EMS Department.

Debt Service Funds These funds account 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 Funds:

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

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 funds:

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

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments, which are not available to support the Village's own programs.

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 accounts for utility deposits and unclaimed funds.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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.

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.

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 2017 budgetary activity appears in Note 3.

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 are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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:

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

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.

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.

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.

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

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

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,239,285	\$1,268,367	\$29,082
Special Revenue	521,279	537,036	15,757
Capital Projects	10,000	7,909	(2,091)
Enterprise	5,909,800	5,989,813	80,013
Total	\$7,680,364	\$7,803,125	\$122,761

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,560,317	\$1,387,721	\$172,596
Special Revenue	617,945	524,816	93,129
Debt Service	16,981		16,981
Capital Projects	16,215	3,946	12,269
Enterprise	9,367,000	5,579,098	3,787,902
Total	\$11,578,458	\$7,495,581	\$4,082,877

Note 4 – 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:

Demand deposits	2017 \$901,181
Certificates of deposit	2,940,000
Total deposits	3,841,181
U.S. Treasury Notes	
STAR Ohio	1,080,818
Money Market Funds	3,697
Total investments	1,084,515
Total deposits and investments	\$4,925,696

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 4 – Deposits and Investments (Continued)

Investments

The Federal Reserve holds the Village's U.S. Treasury Notes 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.

Note 5 – Taxes

Property Taxes

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.

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 6 - Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities, and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$29,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP

\$ 45,654

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – 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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 8 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Other Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$18,460	0%
Ohio Water Development Authority Loan - Sewer Plant	1,826,923	0.2%
Ohio Water Development Authority Loan - Water Line Project	211,491	2%
Total	<u>\$2,056,874</u>	

The Ohio Water Development Authority (OWDA) loan relates to a new sewer plant project the Ohio Environmental Protection Agency mandated. 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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 10 – Debt (Continued)

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

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

Year Ending December 31:	OPWC Loan	OWDA Loan Sewer Plan	OWDA Loan Water Line Project
2018	\$1,420	\$408,016	\$10,175
2019	1,420	408,016	10,175
2020	1,420	408,016	10,175
2021	1,420	408,016	10,175
2022	1,420	407,812	13,176
2023-2027	7,100		50,878
2028-2032	4,260		50,878
2033-2037			50,878
2038-2045			76,316
Total	\$18,460	\$2,039,876	\$282,826

Note 11 – Joint Ventures

OMEGA JV2

The Village of Lodi is a Financing Participant and an Owner Participant with percentages of liability and ownership of 0.21% and 0.16%, 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, 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 or 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 JV2 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, 2017, the Village of Lodi has met its debt coverage obligation.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 11 – Joint Ventures (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric 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 134.081 MW is the participants' entitlement and 4.569 MW 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, 2017, the outstanding debt was \$188,606. The Village's net obligation for this amount at December 31, 2017 was \$396. The Village's net investment in OMEGA JV2 was \$16,069 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2017 are:

OMEGA JV2					
Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement	Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87%	Grafton	1,056	0.79%
Bowling Green	19,198	14.32%	Brewster	1,000	0.75%
Niles	15,400	11.48%	Monroeville	764	0.57%
Cuyahoga Falls	10,000	7.46%	Milan	737	0.55%
Wadsworth	7,784	5.81%	Oak Harbor	737	0.55%
Painesville	7,000	5.22%	Elmore	364	0.27%
Dover	7,000	5.22%	Jackson Center	300	0.22%
Galion	5,753	4.29%	Napoleon	264	0.20%
Amherst	5,000	3.73%	Lodi	218	0.16%
St. Mary's	4,000	2.98%	Genoa	199	0.15%
Montpelier	4,000	2.98%	Pemberville	197	0.15%
Shelby	2,536	1.89%	Lucas	161	0.12%
Versailles	1,660	1.24%	South Vienna	123	0.09%
Edgerton	1,460	1.09%	Bradner	119	0.09%
Yellow Springs	1,408	1.05%	Woodville	81	0.06%
Oberlin	1,217	0.91%	Haskins	73	0.05%
Pioneer	1,158	0.86%	Arcanum	44	0.03%
Seville	1,066	0.80%	Custar	4	0.00%
	<u>127,640</u>	<u>95.20%</u>		<u>6,441</u>	<u>4.80%</u>
			Grand Total	<u>134,081</u>	<u>100.00%</u>

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 11 – Joint Ventures (Continued)

OMEGA JV5

The Village of Lodi is a Financing Participant with an ownership percentage of 0.94%, 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 40 MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operation to OMEGA JV5 Participants.

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 revenue 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, 2017, the Village has met their debt 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 JV 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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 11 – Joint Ventures (Continued)

The Village's net investment to date in OMEGA JV5 was \$28,086 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

OMEGA JV5 issued \$49,745,000 Beneficial Interest Refunding Certificates, Series 2015 ("2016 Certificates") to refund the promissory note to AMP in full on January 19, 2017. The outstanding amount of the promissory note had been reduced to \$49,243,377 at the time of refunding.

Note 12 – Jointly Governed Organizations

The constitution and laws of the State of Ohio establish the rights and privileges for the Harrisville-Lodi Union Cemetery District, (the Cemetery) as a body corporate and politic. The Village of Lodi and Harrisville Township appoint a three-member Board of Trustees to direct Cemetery operations. These entities also provide funding to meet the Cemetery's operating costs under the agreement which established the Cemetery. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of grave lots.

Note 13 – AMP Revenue Coverage

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 11. 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:

	2017
Total Fund Cash Balance	\$2,325,285
Total Long-Term Debt	\$686,193
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	4,287,892
Operating Expenses	
Personal Services	300,170
Employee Fringe Benefits	131,992
Contractual Services	443,965
Supplies and Materials	2,908,099
Total Operating Expenses	3,784,226
Operating Income (Loss)	503,666
Nonoperating Receipts (Disbursements)	
Other Nonoperating Receipts (Disbursements)	(141,497)
Change in Fund Cash Balance	362,169
Beginning Fund Cash Balance	1,963,116
Ending Fund Cash Balance	\$2,325,285

VILLAGE OF LODI
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 13 – AMP Revenue Coverage

Condensed Cash Flows Information:	<u>2017</u>
Net Cash Provided (Used) by:	
Operating Activities	\$503,666
Noncapital Financing Activities	
Other Noncapital Financing Activities	<u>74,570</u>
Capital and Related Financing Activities	
Other Capital and Related Financing Activities	<u>(216,067)</u>
Net Increase (Decrease)	362,169
Beginning Fund Cash Balance	<u>1,963,116</u>
Ending Fund Cash Balance	<u><u>\$2,325,285</u></u>

Note 14 – Subsequent Event

On November 13, 2017, the Village passed an ordinance to establish a municipal income tax to be effective January 1, 2018. The annual tax will be levied at a rate of one percent (1.00%) and at a uniform rate on all persons residing in, or earning or receiving income in, the Village.

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**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$554,368	\$134,712			\$689,080
Intergovernmental	162,620	449,929			612,549
Special Assessments				\$5,627	5,627
Charges for Services	439,653				439,653
Fines, Licenses and Permits	6,046	2,474			8,520
Earnings on Investments	41,356	1,763			43,119
Miscellaneous	15,451	420			15,871
<i>Total Cash Receipts</i>	<u>1,219,494</u>	<u>589,298</u>		<u>5,627</u>	<u>1,814,419</u>
Cash Disbursements					
Current:					
Security of Persons and Property	928,051	88,506			1,016,557
Leisure Time Activities	5,922				5,922
Community Environment	13,985				13,985
Transportation	23,390	165,025			188,415
General Government	219,030	2,662		18	221,710
Capital Outlay	38,830	350,127		23,875	412,832
Debt Service:					
Principal Retirement		1,420			1,420
<i>Total Cash Disbursements</i>	<u>1,229,208</u>	<u>607,740</u>		<u>23,893</u>	<u>1,860,841</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,714)</u>	<u>(18,442)</u>		<u>(18,266)</u>	<u>(46,422)</u>
Other Financing Receipts (Disbursements)					
Other Financing Sources	300	236			536
<i>Net Change in Fund Cash Balances</i>	(9,414)	(18,206)		(18,266)	(45,886)
<i>Fund Cash Balances, January 1</i>	<u>348,950</u>	<u>250,147</u>	<u>16,982</u>	<u>32,143</u>	<u>648,222</u>
Fund Cash Balances, December 31					
Nonspendable	4,067				4,067
Restricted		231,941	16,982	13,877	262,800
Unassigned (Deficit)	335,469				335,469
<i>Fund Cash Balances, December 31</i>	<u>\$339,536</u>	<u>\$231,941</u>	<u>\$16,982</u>	<u>\$13,877</u>	<u>\$602,336</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LODI
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$5,874,026		\$5,874,026
Fines, Licenses and Permits	50		50
<i>Total Operating Cash Receipts</i>	<u>5,874,076</u>		<u>5,874,076</u>
Operating Cash Disbursements			
Personal Services	676,710		676,710
Employee Fringe Benefits	315,603		315,603
Contractual Services	611,922		611,922
Supplies and Materials	3,388,753		3,388,753
<i>Total Operating Cash Disbursements</i>	<u>4,992,988</u>		<u>4,992,988</u>
<i>Operating Income (Loss)</i>	<u>881,088</u>		<u>881,088</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	32,388		32,388
Capital Outlay	(712,379)		(712,379)
Principal Retirement	(408,692)		(408,692)
Interest and Other Fiscal Charges	(9,499)		(9,499)
Other Financing Sources		65,650	65,650
Other Financing Uses		(48,423)	(48,423)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,098,182)</u>	<u>17,227</u>	<u>(1,080,955)</u>
<i>Net Change in Fund Cash Balances</i>	(217,094)	17,227	(199,867)
<i>Fund Cash Balances, January 1</i>	<u>3,961,277</u>	<u>246,571</u>	<u>4,207,848</u>
<i>Fund Cash Balances, December 31</i>	<u>\$3,744,183</u>	<u>\$263,798</u>	<u>\$4,007,981</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Lodi, Medina County, Ohio, (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Joint Ventures, Jointly Governed Organizations, and Public Entity Risk Pools

The Village participates in joint ventures, jointly governed organizations, and a public entity risk pool. Notes 6, 11, and 12 to the financial statements provides additional information for these entities which include:

Joint Ventures:

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

Jointly Governed Organization:

Harrisville-Lodi Union Cemetery District

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP)

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 11 to the financial statements describes these assets.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Issue 2 Street Fund This fund accounts for and reports state grant monies restricted for the Prospect Street renovation project.

FEMA Fire Grant Fund This fund accounts for and reports federal FEMA grant monies restricted for smoke alarms for the community.

Fire and EMS Fund This fund accounts for and reports tax levy transactions restricted for operation of the Fire and EMS Department.

Debt Service Funds These funds account 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 Funds:

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

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 funds:

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

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments, which are not available to support the Village's own programs.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 accounts for utility deposits and unclaimed funds.

Basis of Accounting

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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.

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.

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 2016 budgetary activity appears in Note 3.

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 are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2 - Summary of Significant Accounting Policies

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.

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:

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

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.

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.

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.

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

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

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,168,661	\$1,219,794	\$51,133
Special Revenue	829,498	589,534	(239,964)
Capital Projects	10,000	5,627	(4,373)
Enterprise	5,875,800	5,906,464	30,664
Total	\$7,883,959	\$7,721,419	(\$162,540)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,433,349	\$1,229,208	\$204,141
Special Revenue	1,038,020	607,740	430,280
Debt Service	16,981		16,981
Capital Projects	31,000	23,893	7,107
Enterprise	9,407,650	6,123,558	3,284,092
Total	\$11,927,000	\$7,984,399	\$3,942,601

Note 4 – 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:

	2016
Demand deposits	\$576,304
Certificates of deposit	2,940,000
Total deposits	3,516,304
U.S. Treasury Notes	
STAR Ohio	1,069,353
Money Market Funds	24,660
Total investments	1,094,013
Total deposits and investments	\$4,610,317

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 4 – Deposits and Investments (Continued)

Investments

The Federal Reserve holds the Village's U.S. Treasury Notes 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.

Note 5 – Taxes

Property Taxes

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.

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6 - Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities, and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$28,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2016 Contributions to PEP

\$ 45,503

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – 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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 8 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Other Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$19,880	0%
Ohio Water Development Authority Loan - Sewer Plant	2,230,678	0.2%
Ohio Water Development Authority Loan - Water Line Project	217,349	2%
Total	<u>\$2,467,907</u>	

The Ohio Water Development Authority (OWDA) loan relates to a new sewer plant project the Ohio Environmental Protection Agency mandated. 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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 10 – Debt (Continued)

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

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

Year Ending December 31:	OPWC Loan	OWDA Loan Sewer Plan	OWDA Loan Water Line Project
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	1,420	408,016	10,175
2022-2026	7,100	203,804	53,878
2027-2031	5,680		50,878
2032-2036			50,878
2037-2041			50,878
2041-2045			30,527
Total	\$19,880	\$2,243,884	\$287,914

Note 11 – Joint Ventures

OMEGA JV2

The Village of Lodi is a Financing Participant and an Owner Participant with percentages of liability and ownership of 0.21% and 0.16%, 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, 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 or 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 JV2 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, 2016, the Village of Lodi has met its debt coverage obligation.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 11 – Joint Ventures (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric 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 134.081 MW is the participants' entitlement and 4.569 MW 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, 2016, the outstanding debt was \$4,142,633. The Village's net obligation for this amount at December 31, 2016 was \$8,700. The Village's net investment in OMEGA JV2 was \$21,648 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

OMEGA JV2					
Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement	Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87%	Grafton	1,056	0.79%
Bowling Green	19,198	14.32%	Brewster	1,000	0.75%
Niles	15,400	11.48%	Monroeville	764	0.57%
Cuyahoga Falls	10,000	7.46%	Milan	737	0.55%
Wadsworth	7,784	5.81%	Oak Harbor	737	0.55%
Painesville	7,000	5.22%	Elmore	364	0.27%
Dover	7,000	5.22%	Jackson Center	300	0.22%
Galion	5,753	4.29%	Napoleon	264	0.20%
Amherst	5,000	3.73%	Lodi	218	0.16%
St. Mary's	4,000	2.98%	Genoa	199	0.15%
Montpelier	4,000	2.98%	Pemberville	197	0.15%
Shelby	2,536	1.89%	Lucas	161	0.12%
Versailles	1,660	1.24%	South Vienna	123	0.09%
Edgerton	1,460	1.09%	Bradner	119	0.09%
Yellow Springs	1,408	1.05%	Woodville	81	0.06%
Oberlin	1,217	0.91%	Haskins	73	0.05%
Pioneer	1,158	0.86%	Arcanum	44	0.03%
Seville	1,066	0.80%	Custar	4	0.00
	127,640	95.20%		6,441	4.80%
			Grand Total	134,081	100.00%

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 11 – Joint Ventures (Continued)

The Village liability for the debt is disclosed below:

Years	Principal	Interest	Total Debt Service
2017	\$8,203	\$90	\$8,293
2018-2020	827	41	868
	\$9,030	\$131	\$9,161
Net Obligation	\$9,030		

OMEGA JV5

The Village of Lodi is a Financing Participant with an ownership percentage of 0.94%, 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 40 MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operation to OMEGA JV5 Participants.

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 revenue 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, 2016, the Village has met their debt 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 JV 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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 11 – Joint Ventures (Continued)

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, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

*Subsequent to year-end, on January 19, 2017, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2015 ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount of the promissory note had been reduced to \$49,243,377 at the time of refunding.

Note 12 – Jointly Governed Organizations

The constitution and laws of the State of Ohio establish the rights and privileges for the Harrisville-Lodi Union Cemetery District, (the Cemetery) as a body corporate and politic. The Village of Lodi and Harrisville Township appoint a three-member Board of Trustees to direct Cemetery operations. These entities also provide funding to meet the Cemetery's operating costs under the agreement which established the Cemetery. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of grave lots.

Note 13 – AMP Revenue Coverage

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 11. 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.

**VILLAGE OF LODI
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 13 – AMP Revenue Coverage (Continued)

Summary financial information for the Electric Fund is presented below:

	<u>2016</u>
Total Fund Cash Balance	\$1,963,116
Total Long-Term Debt	\$733,527
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	4,329,727
Operating Expenses	
Personal Services	290,711
Employee Fringe Benefits	161,772
Contractual Services	495,867
Supplies and Materials	<u>3,056,485</u>
Total Operating Expenses	4,004,835
Operating Income (Loss)	324,892
Nonoperating Receipts (Disbursements)	
Other Nonoperating Receipts (Disbursements)	(392,443)
Change in Fund Cash Balance	(67,551)
Beginning Fund Cash Balance	<u>2,030,667</u>
Ending Fund Cash Balance	<u>\$1,963,116</u>

	<u>2016</u>
Condensed Cash Flows Information:	
Net Cash Provided (Used) by:	
Operating Activities	\$324,892
Noncapital Financing Activities	
Other Noncapital Financing Activities	<u>28,668</u>
Capital and Related Financing Activities	
Other Capital and Related Financing Activities	<u>(421,111)</u>
Net Increase (Decrease)	(67,551)
Beginning Fund Cash Balance	<u>2,030,667</u>
Ending Fund Cash Balance	<u>\$1,963,116</u>

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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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 19, 2018 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 report is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

October 19, 2018



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
NOVEMBER 8, 2018