



**VILLAGE OF LODI  
MEDINA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**



**Auditor of State  
Betty Montgomery**



VILLAGE OF LODI  
MEDINA COUNTY

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## Auditor of State Betty Montgomery

### 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lodi, Medina County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lodi, Medina County, Ohio, as of December 31, 2005 and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and the Motor Vehicle Permissive Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

February 21, 2006

Village of Lodi, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of the Village of Lodi, Medina County, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- 1) Net assets of governmental activities increased \$36,622 or 3%. The primary reasons are because Village collected \$48,909 in investment income. General government expenditures were down by \$17,995 and Capital Outlay expenditures were down by \$101,573.
- 2) The governmental general receipts are primarily property taxes. Property tax receipts for the year 2005 decreased 1.6% compared to year 2004.
- 3) The Village of Lodi purchased a new police cruiser during the year 2005 costing \$22,952.
- 4) The water fund increased because of the increase of rates for capital improvements which generated \$74,105. The water department purchased a new  $\frac{3}{4}$  ton pick-up truck costing \$19,110, which replaces the 1992 S-10 pick up truck.
- 5) The sewer fund decreased because of the OWDA loan payment of \$422,370 principal and \$14,819 interest for the new wastewater treatment plant built in year 2000.
- 6) The electric fund ended the year with a loss of \$124,975.
- 7) The Village of Lodi electric fund had to pay \$160,877 in SECA (Seams Elimination Cost Adjustment) which was implemented by the Federal Energy Regulatory Commission.
- 8) The Village of Lodi electric fund had \$61,149 in repairs for the electric generator. This generator provides emergency back up service to Lodi Community Hospital and Lodi Wastewater Treatment Plant when electrical power is interrupted.
- 9) The Village of Lodi paid \$25,590 to Medina County Sheriff Department for police, fire and rescue dispatching services.

Village of Lodi, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Village of Lodi, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Reporting the Village of Lodi as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts of each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Village of Lodi into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, rescue, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The government has three business-type activities, the provision of water, sewer, and electric. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detail information about the Village's major funds – not the Village of Lodi as a whole. The Village of Lodi establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village of Lodi are split into three categories: governmental, proprietary and fiduciary.

Village of Lodi, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Governmental Funds** – Most of the Village's activities are report in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's two major governmental funds are the General Fund and Motor Vehicle Permissive Fund (MV Permissive). The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Proprietary Funds** - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds: water, sewer and electric.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefits of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village currently has three fiduciary funds: Mayor's Court, Unclaimed Funds and Utility Deposit Funds.

Village of Lodi, Ohio  
Management's Discussion and Analysis  
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**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)

	Governmental 2005	Activities 2004	Business- Type 2005	Activities 2004	Total 2005	2004
<b>Assets</b>						
Cash, Cash Equivalents and Investments	\$1,089,781	\$1,047,959	\$2,916,655	\$3,161,195	\$4,006,436	\$4,209,154
Internal Bond	26,000	31,200			26,000	31,200
<i>Total Assets</i>	<u>\$1,115,781</u>	<u>\$1,079,159</u>	<u>\$2,916,655</u>	<u>\$3,161,195</u>	<u>\$4,032,436</u>	<u>\$4,240,354</u>
<b>Net Assets</b>						
Restricted for:						
Capital Projects	211,487	\$218,575			211,487	218,575
Debt Service	2,995	1,606			2,995	1,606
Other Purposes	590,143	578,924			590,143	578,924
Unrestricted	<u>311,156</u>	<u>280,054</u>	<u>2,916,655</u>	<u>3,161,195</u>	<u>3,227,811</u>	<u>3,441,249</u>
<i>Total Net Assets</i>	<u>\$1,115,781</u>	<u>\$1,079,159</u>	<u>\$2,916,655</u>	<u>\$3,161,195</u>	<u>\$4,032,436</u>	<u>\$4,240,354</u>

As mentioned previously, net assets of governmental activities increased \$36,622 or 3 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- 1) Village of Lodi collected \$48,909 in investment interest money.
- 2) Village of Lodi general government expenditures were down by \$17,995 and capital outlay expenditures were down by \$101,573.

Table 2 reflects the changes in net assets in 2005. A comparative analysis of government-wide data has been presented.

Village of Lodi, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

**Table 2**  
**Changes in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004	Business Type Activities 2005	Business Type Activities 2004	Total 2005	Total 2004
<b>Receipts:</b>						
<b>Program Receipts</b>						
Charges for Services and Sales	\$159,715	\$124,917	\$4,573,691	\$4,020,465	\$4,733,406	\$4,145,382
Operating Grants and Contributions	145,129	130,712			145,129	130,712
Capital Grants and Contributions	9,480	9,149			9,480	9,149
<b>Total Program Receipts</b>	<b>314,324</b>	<b>264,778</b>	<b>\$4,573,691</b>	<b>4,020,465</b>	<b>4,888,015</b>	<b>4,285,243</b>
<b>General Receipts:</b>						
Property and Other Local Taxes	374,716	381,140			374,716	381,140
Grants and Entitlements Not Restricted						
to Specific Programs	175,064	171,605			175,064	171,605
Kilowatt Hour Tax	145,706	142,686			145,706	142,686
Fines, Licenses and Permits	11,235	12,201			11,235	12,201
Interest	48,909	36,666			48,909	36,666
Miscellaneous	600	1,410	27,907	17,109	28,507	18,519
<b>Total General Receipts</b>	<b>756,230</b>	<b>745,708</b>	<b>27,907</b>	<b>17,109</b>	<b>784,137</b>	<b>762,817</b>
<b>Total Receipts</b>	<b>1,070,554</b>	<b>1,010,486</b>	<b>4,601,598</b>	<b>4,037,574</b>	<b>5,672,152</b>	<b>5,048,060</b>
<b>Disbursements:</b>						
General Government	158,451	176,446			158,451	176,446
Security of Persons and Property	497,110	445,737			497,110	445,737
Leisure Time Activities	6,826	6,425			6,826	6,425
Community Environment	8,129	11,175			8,129	11,175
Transportation	215,380	190,315			215,380	190,315
Capital Outlay	49,406	150,979			49,406	150,979
Principal Retirement	27,075	13,850			27,075	13,850
Interest and Fiscal Charges	2,496	2,904			2,496	2,904
Water			406,271	403,261	406,271	403,261
Sewer			906,921	902,243	906,921	902,243
Electric			5,617,071	5,060,006	5,617,071	5,060,006
<b>Total Disbursements</b>	<b>964,873</b>	<b>997,831</b>	<b>6,930,263</b>	<b>6,365,510</b>	<b>7,895,136</b>	<b>7,363,341</b>
<i>Excess of Receipts Over/Under</i>	105,681	12,655	(2,328,665)	(2,327,936)	(2,222,984)	(2,315,281)
<b>Other Financing Sources/(Uses)</b>						
Proceeds of Notes			2,012,041	2,222,350	2,012,041	2,222,350
Other Sources	3,552	2,581			3,552	2,581
Other Uses	(527)	(441)			(527)	(441)
<b>Excess (Deficiency) Before Transfers</b>	<b>108,706</b>	<b>14,795</b>	<b>(316,624)</b>	<b>(105,586)</b>	<b>(207,918)</b>	<b>(90,791)</b>
<b>Net Transfers</b>	<b>(72,084)</b>		<b>72,084</b>			
<b>Increase (Decrease) in Net Assets</b>	<b>36,622</b>	<b>14,795</b>	<b>(244,540)</b>	<b>(105,586)</b>	<b>(207,918)</b>	<b>(90,791)</b>
Net Assets, January 1, 2004	1,079,159	1,064,364	3,161,195	3,266,781	4,240,354	4,331,145
<b>Net Assets, December 31, 2004</b>	<b>1,115,781</b>	<b>\$1,079,159</b>	<b>\$2,916,655</b>	<b>\$3,161,195</b>	<b>\$4,032,436</b>	<b>4,240,354</b>

Village of Lodi, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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Program receipts represent only 30 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, park fees, and court fines.

General receipts represent 70 percent of the Village's total receipts, and of this amount, about 50 percent are local taxes. State and federal grants and entitlements make up the majority of the remaining balance of the Village's general receipts (50 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for other Village activities. These include the costs of council and clerk/treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 23 percent of the General Fund receipts.

Security of Persons and Property are the costs of police, fire and rescue protection; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

### **Governmental Activities**

If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 16 and 52 percent of all governmental disbursements, respectively. General government also represents a significant cost, about percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of Lodi, Ohio  
Management's Discussion and Analysis  
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(Table 3)  
**Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$158,451	\$155,548
Security of Person and Property	497,110	359,814
Leisure Time Activities	6,826	5,621
Community Environment	8,129	7,129
Transportation	215,380	70,251
Capital Outlay	49,406	22,615
Principal Retirement	27,075	27,075
Interest and Fiscal Charges	2,496	2,496
Total Expenses	\$964,873	\$650,549

The dependence upon property tax receipts is apparent as over 70 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The water fund of the Village is relatively healthy because it ended the year with a balance of \$627,120. The Village purchased a new  $\frac{3}{4}$  ton pick-up truck costing \$19,110, which replaced the 1992 S-10 pick-up truck. The Village is discussing the following major expenditure over the next year: replacement of brine tank (salt storage) and a new water tank to be located at State Route 83 and Interstate 71.

The sewer fund of the Village is relatively healthy because it ended the year with a balance of \$1,032,284. The Village will be repaying the OWDA loan with this surplus. The OWDA loan was acquired to build wastewater treatment plant facility which was built in year 2000.

The electric fund of the Village ended the year with a balance of \$1,257,251. The Village of Lodi electric fund had to pay \$160,877 in SECA (Seams Elimination Cost Adjustment) which was implemented by the Federal Energy Regulatory Commission. The Village of Lodi electric fund had \$61,149 in repairs for the electric generator. This generator provides emergency back up service to Lodi Community Hospital and Lodi Wastewater Treatment Plant when electrical power is interrupted.

Village of Lodi, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**The Village's Funds**

Total governmental funds had receipts of \$1,070,554 and disbursements of \$964,873. The greatest change within governmental funds occurred within the General Fund.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2005, The Village's outstanding debts included a \$6,520,729 OWDA loan for a wastewater treatment plant that was built in 2000 and a \$2,000,000 AMP-Ohio Bond for the Harris Electric Substation built in 1999. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joanne Clapp, CMC, CPFA, Clerk-Treasurer, Village of Lodi, 108 Ainsworth Street, Lodi, OH 44254.

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**Village of Lodi**  
**Medina County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2005*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$1,089,781	\$2,916,655	\$4,006,436
Internal Bond	26,000		26,000
<i>Total Assets</i>	<u>1,115,781</u>	<u>2,916,655</u>	<u>4,032,436</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	211,487		211,487
Debt Service	2,995		2,995
Other Purposes	590,143		590,143
Unrestricted	<u>311,156</u>	<u>2,916,655</u>	<u>3,227,811</u>
<i>Total Net Assets</i>	<u>\$1,115,781</u>	<u>\$2,916,655</u>	<u>\$4,032,436</u>

See accompanying notes to the basic financial statements

**Village of Lodi**  
**Median County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements)			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$158,451	\$2,903			(\$155,548)		(\$155,548)
Security of Persons and Property	497,110	137,296			(359,814)		(359,814)
Leisure Time Activities	6,826	1,205			(5,621)		(5,621)
Community Environment	8,129	1,000			(7,129)		(7,129)
Transportation	215,380		145,129	9,480	(70,251)		(70,251)
Capital Outlay	49,406	17,311			(22,615)		(22,615)
Debt Service: Principal	27,075				(27,075)		(27,075)
Interest and Fiscal Charges	2,496				(2,496)		(2,496)
<i>Total Governmental Activities</i>	<u>964,873</u>	<u>159,715</u>	<u>145,129</u>	<u>9,480</u>	<u>(650,549)</u>		<u>(650,549)</u>
<b>Business Type Activities</b>							
Water	406,271	487,104				80,833	80,833
Sewer	906,921	675,389				(231,532)	(231,532)
Electric	5,617,071	3,411,198				(2,205,873)	(2,205,873)
<i>Total Business Type Activities</i>	<u>6,930,263</u>	<u>4,573,691</u>				<u>(2,356,572)</u>	<u>(2,356,572)</u>
<i>Total Both Governmental &amp; Business Type Activities</i>	<u>\$7,895,136</u>	<u>\$4,733,406</u>	<u>\$145,129</u>	<u>\$9,480</u>	<u>(650,549)</u>	<u>(2,356,572)</u>	<u>(3,007,121)</u>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes					374,716		374,716
Kilowatt Hour Tax					145,706		145,706
Grants and Entitlements not Restricted to Specific							
Specific Programs					175,064		175,064
Fines, Licenses and Permits					11,235		11,235
Notes issued						2,012,041	2,012,041
Interest					48,909		48,909
Miscellaneous					600	27,907	28,507
<i>Total General Receipts</i>					<u>756,230</u>	<u>2,039,948</u>	<u>2,796,178</u>
Net Transfers					(72,084)		
Other Sources (Uses)					3,025	72,084	3,025
<i>Total General Receipts, Other Sources (Uses) and Net Transfers</i>					<u>687,171</u>	<u>2,112,032</u>	<u>2,799,203</u>
Change in Net Assets					36,622	(244,540)	(207,918)
<i>Net Assets Beginning of Year</i>					1,079,159	3,161,195	4,240,354
<i>Net Assets End of Year</i>					<u>\$1,115,781</u>	<u>2,916,655</u>	<u>\$4,032,436</u>

See accompanying notes to the basic financial statements

**Village of Lodi**  
**Medina County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	<u>General</u>	<u>MV Permissive Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash, Cash Equivalents and Investments	\$285,156	\$194,374	\$610,251	\$1,089,781
Internal Bond	26,000			26,000
<i>Total Assets</i>	<u>\$311,156</u>	<u>\$194,374</u>	<u>\$610,251</u>	<u>\$1,115,781</u>
<b>Fund Balances</b>				
Undesignated, Reported in:				
General Fund	311,156			311,156
Special Revenue Funds		194,374	395,769	590,143
Debt Service Fund			2,995	2,995
Capital Projects Funds			211,487	211,487
<i>Total Fund Balances</i>	<u>\$311,156</u>	<u>\$194,374</u>	<u>\$610,251</u>	<u>\$1,115,781</u>

See accompanying notes to the basic financial statements

**Village of Lodi**  
**Medina County**  
*Statement of Cash Receipts, Disbursements and*  
*Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	MV Permissive Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$374,716			\$374,716
Special Assessments			\$9,480	9,480
Kilowatt Hour Tax	145,706			145,706
Charges for Services	141,104		18,611	159,715
Fines, Licenses and Permits	10,331		904	11,235
Intergovernmental	174,770	31,810	113,613	320,193
Interest	42,064	2,557	4,288	48,909
Miscellaneous			600	600
<i>Total Receipts</i>	<u>888,691</u>	<u>34,367</u>	<u>147,496</u>	<u>1,070,554</u>
<b>Disbursements</b>				
Current:				
General Government	158,444		7	158,451
Security of Persons and Property	496,821		289	497,110
Leisure Time Activities	5,799		1,027	6,826
Community Environment	8,129			8,129
Transportation	77,670	14,186	123,524	215,380
Capital Outlay		19,312	30,094	49,406
Debt Service:				
Principal Retirement		21,875	5,200	27,075
Interest and Fiscal Charges			2,496	2,496
<i>Total Disbursements</i>	<u>746,863</u>	<u>55,373</u>	<u>162,637</u>	<u>964,873</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>141,828</u>	<u>(21,006)</u>	<u>(15,141)</u>	<u>105,681</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			42,036	42,036
Transfers Out	(114,120)			(114,120)
Other Financing Sources	3,394		158	3,552
Other Financing Uses			(527)	(527)
<i>Total Other Financing Sources (Uses)</i>	<u>(110,726)</u>		<u>41,667</u>	<u>(69,059)</u>
<i>Net Change in Fund Balances</i>	31,102	(21,006)	26,526	36,622
<i>Fund Balances Beginning of Year</i>	<u>280,054</u>	<u>215,380</u>	<u>583,725</u>	<u>1,079,159</u>
<i>Fund Balances End of Year</i>	<u>\$311,156</u>	<u>\$194,374</u>	<u>\$610,251</u>	<u>\$1,115,781</u>

See accompanying notes to the basic financial statements

**Village of Lodi**  
**Medina County**  
*Statement of Receipts, Disbursements and*  
*Changes in Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	397,100	397,100	374,716	(22,384)
Kilowatt Hour Tax	125,926	125,926	145,706	19,780
Charges for Services	121,948	121,948	141,104	19,156
Fines, Licenses and Permits	8,928	8,928	10,331	1,403
Intergovernmental	151,043	151,043	174,770	23,727
Interest	36,355	36,355	42,064	5,709
<i>Total receipts</i>	<u>841,300</u>	<u>841,300</u>	<u>888,691</u>	<u>47,391</u>
<b>Disbursements</b>				
Current:				
General Government	263,800	250,000	158,444	91,556
Security of Persons and Property	503,000	516,800	496,821	19,979
Leisure Time Activities	8,000	8,000	5,799	2,201
Community Environment	16,200	16,200	8,129	8,071
Transportation	101,000	101,000	77,670	23,330
<i>Total Disbursements</i>	<u>892,000</u>	<u>892,000</u>	<u>746,863</u>	<u>145,137</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(50,700)</u>	<u>(50,700)</u>	<u>141,828</u>	<u>192,528</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(100,000)	(100,000)	(114,120)	(14,120)
Other Financing Uses			3,394	3,394
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(110,726)</u>	<u>(10,726)</u>
<i>Net Change in Fund Balance</i>	<u>(150,700)</u>	<u>(150,700)</u>	<u>31,102</u>	<u>181,802</u>
<i>Fund Balance Beginning of Year</i>	<u>280,054</u>	<u>280,054</u>	<u>280,054</u>	
<i>Fund Balance End of Year</i>	<u>\$129,354</u>	<u>\$129,354</u>	<u>\$311,156</u>	<u>\$181,802</u>

See accompanying notes to the basic financial statements

**Village of Lodi**  
**Medina County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Motor Vehicle Permissive Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental			\$31,810	\$31,810
Interest			2,557	2,557
<i>Total receipts</i>			34,367	34,367
<b>Disbursements</b>				
Current:				
Transportation	50,000	50,000	14,186	35,814
Capital Outlay	28,125	28,125	19,312	8,813
Principal Retirement	21,875	21,875	21,875	
<i>Total Disbursements</i>	100,000	100,000	55,373	44,627
<i>Net Change in Fund Balance</i>	(100,000)	(100,000)	(21,006)	78,994
<i>Fund Balance Beginning of Year</i>	215,380	215,380	215,380	
<i>Fund Balance End of Year</i>	\$115,380	\$115,380	\$194,374	\$78,994

See accompanying notes to the basic financial statements

**Village of Lodi**  
**Medina County**  
*Statement of Fund Net Assets - Modified Cash Basis*  
*Proprietary Funds*  
*December 31, 2005*

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Wastewater (Sewer) Enterprise Fund	Electric Enterprise Fund	
<b>Assets</b>				
Equity in Pooled Cash, Cash Equivalents and Investments	\$627,120	\$1,032,284	\$1,257,251	\$2,916,655
<i>Total Assets</i>	<u>\$627,120</u>	<u>\$1,032,284</u>	<u>\$1,257,251</u>	<u>\$2,916,655</u>
<b>Net Assets</b>				
Unrestricted	<u>\$627,120</u>	<u>\$1,032,284</u>	<u>\$1,257,251</u>	<u>\$2,916,655</u>

See accompanying notes to the basic financial statements

**Village of Lodi**  
**Medina County**  
*Statement of Cash Receipts,*  
*Disbursements and Changes in Fund Net Assets - Modified Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2005*

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Wastewater (Sewer) Enterprise Fund	Electric Enterprise Fund	
<b>Operating Receipts</b>				
Charges for Services	\$487,104	\$675,389	\$3,411,198	\$4,573,691
Rent			8,184	8,184
Other Operating Receipts			13,625	13,625
<i>Total Operating Receipts</i>	<u>487,104</u>	<u>675,389</u>	<u>3,433,007</u>	<u>4,595,500</u>
<b>Operating Disbursements</b>				
Purchased Services			2,489,704	2,489,704
Personal Services	195,585	189,991	290,053	675,629
Contractual Services	73,921	113,720	388,777	576,418
Materials and Supplies	67,745	166,021	160,491	394,257
Capital Outlay	69,020		50,090	119,110
<i>Total Operating Disbursements</i>	<u>406,271</u>	<u>469,732</u>	<u>3,379,115</u>	<u>4,255,118</u>
<i>Operating Income</i>	80,833	205,657	53,892	340,382
<b>Non-Operating Receipts/(Disbursements)</b>				
Proceeds from Notes		12,041	2,000,000	2,012,041
Miscellaneous	1,644	1,613	2,841	6,098
Redemption of Principal		(422,370)	(2,200,000)	(2,622,370)
Interest		(14,819)	(37,956)	(52,775)
<i>Income (Loss) before Transfers</i>	82,477	(217,878)	(181,223)	(316,624)
Transfers In	15,836		56,248	72,084
<i>Change in Net Assets</i>	98,313	(217,878)	(124,975)	(244,540)
<i>Net Assets Beginning of Year</i>	<u>528,807</u>	<u>1,250,162</u>	<u>1,382,226</u>	<u>3,161,195</u>
<i>Net Assets End of Year</i>	<u>\$627,120</u>	<u>\$1,032,284</u>	<u>\$1,257,251</u>	<u>\$2,916,655</u>

See accompanying notes to the basic financial statements

**Village of Lodi**  
**Medina County**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2005*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$132,661
<i>Total Assets</i>	<u><u>\$132,661</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$132,661</u></u>

See accompanying notes to the basic financial statements

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Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**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. The Village is directed by a six-member Council elected at large for a four year term and three-member Board of Public Affairs elected at large for a four year term. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie. The Clerk/Treasurer is elected to a four-year term and has no voting privileges.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separated from the Village. The Village provides general government services, water, wastewater treatment, electric, storm sewers, maintenance of Village roads, parks, police, 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.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village of Lodi has no component units.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 1 – Reporting Entity –(Continued)**

**C. Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in three joint venture organizations. Note 15 to the financial statements provides additional information for these entities. The organizations are:

Joint Venture Organizations:

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.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principals generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance and net assets of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's only major governmental funds are the General Fund and MV Permissive Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The MV Permissive Fund accounts for a motor vehicle license tax which the Village can only use for planning, constructing, improving, maintaining and repairing Village roads. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

The Village of Lodi classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds.

**Enterprise Funds** – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water, wastewater (sewer) and electric funds.

**Water Fund** – The water fund accounts for the provision of water to the residents and commercial users located outside and within the Village.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

Wastewater (Sewer) Fund – The wastewater (sewer) fund accounts for the provision of sanitary sewer services to the residents and commercial users outside and within the Village.

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

Fiduciary Funds

Fiduciary funds include Unclaimed Fund and Mayor's Court Fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinances, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increase or decrease in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificated of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

As part of the formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal levy of budgetary control.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Village invested in nonnegotiable certificates of deposits, STAR Ohio, and U.S. Government Securities. The nonnegotiable certificates of deposit are reported at cost and the U.S. Government Securities are reported at market.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$42,064 which includes \$38,151 assigned from other funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Village currently does not have any interfund loans.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognized the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principle and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

**N. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balances indicates that portion of fund balance which is available for appropriation in future periods.

**O. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and MV Permissive Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing sources or uses (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). There were no outstanding advances at year end.

**Note 4 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 4 – Deposits and Investments – (Continued)**

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by saving or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Village of Lodi  
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Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 4 – Deposits and Investments – (Continued)**

Protection of the Village's deposits by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end \$101,154 of the Village's bank balance of \$301,154 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Village's name. Although the securities were held by the pledging financial institutions' trust department all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

The Village has no policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Village of Lodi  
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**Note 4 – Deposits and Investments – (Continued)**

As of December 31, 2005 the Village had the following investments:

Investment Types	Fair Value	Maturity (Years)		
		Less Than 1	1 to 5	6 to 10
Repurchase Agreement	\$180,796	\$180,796		
Certificates of Deposit	255,332	150,782	\$104,550	
U.S. Agency Securities	2,817,696	285,980	1,063,179	\$1,468,537
STAR Ohio	612,177	612,177		
Village of Lodi, Ohio Street Improvement Bond*	26,000		26,000	
<b>Total</b>	<b>\$3,892,001</b>	<b>\$1,229,735</b>	<b>\$1,193,729</b>	<b>\$1,468,537</b>

\* Included in the Village's General Fund – Cash Fund Balance is a Street Improvement Bond internally issued by the Village. This investment does not represent actual cash available for expenditure.

Interest Rate Risk

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Village of Lodi  
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**Note 4 – Deposits and Investments – (Continued)**

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Noncompliance

Certain investments in U.S. agency securities and certificates of deposits exceed the maximum maturities allowable by the Ohio Revised Code.

**Notes 5 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2003, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of the true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Notes 5 - Property Taxes – (Continued)**

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$10.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$27,658,040
Agriculture	231,990
Commercial/Industrial/Mineral	11,120,060
Public Utility Property	
Real	76,190
Personal	989,580
Tangible Personal Property	<u>5,050,850</u>
Total Assessed Value	<u>\$45,126,710</u>

**Note 6 – Risk Management**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the “Pool”), an unincorporated tax exempt non-profit organization, governed by its member municipalities. The Pool is sponsored by the Ohio Municipal League and is administered and operated by JWF Specialty Company. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty excess-of-loss contracts at December 31, 2005 generally protect against individual losses exceeding over deductible.

Property coverage contracts protect against losses, subject to a deductible of \$250 to a \$1,000, limited to an annual aggregate loss per schedule.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 7 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension benefits to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$96,724, \$93,392 and \$92,038 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 7 – Defined Benefit Pension Plans – (Continued)**

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ending December 31, 2005, 2004, and 2003 were \$39,794 (employee \$20,407), \$34,630 (employee \$18,768), and \$38,912 (employee \$19,955). The full amount has been contributed for 2005, 2004, and 2003.

**Note 8 – Post Employment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to be traditional or combined plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 8 – Post Employment Benefits – (Continued)**

**A. Ohio Public Employees Retirement System - (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investments assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contributions amounts are the same. OPER's net assets available for payment of benefits as December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

**Note 8 – Post Employment Benefits – (Continued)**

**B. Ohio Police and Fire Pension Fund (Continued)**

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

**Note 9 – Debt Obligations**

	Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental-Type Activities</u>						
Special Assessment Bonds (Internally Funded)	8%	\$31,200		\$5,200	\$26,000	\$5,200
Ohio Public Works Commission Loan	0%	21,875		21,875	0	0
Total Governmental-Type Activities		53,075		27,075	26,000	5,200
<u>Business-Type Activities</u>						
General Obligation Note	1.15%	2,200,000	2,000,000	2,200,000	2,000,000	2,000,000
Ohio Water Development Authority Loan	0%	6,931,059	12,040	422,370	6,520,729	437,373
Total Business-Type Activities		9,131,059	2,012,040	2,622,370	8,520,729	2,437,373
Total		\$9,184,134	\$2,012,040	\$2,649,445	\$8,546,729	\$2,442,388

Village of Lodi  
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Notes to the Financial Statements  
For the Year Ended December 31, 2005

**Note 9 – Debt Obligations – (Continued)**

The following is a summary of the Village’s future annual debt service requirements:

<u>Year</u>	<u>Special Assessment G.O. Bonds</u>		<u>OWDA Loan</u>		<u>General Obligations Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$5,200	\$2,080	\$437,373	\$0	\$2,000,000	\$23,000
2007	5,200	1,664	437,373	0	0	0
2008	5,200	1,248	437,373	0	0	0
2009	5,200	832	437,373	0	0	0
2010-2014	5,200	416	2,186,865	0	0	0
2015-2019	0	0	2,186,865	0	0	0
2020-2024	<u>0</u>	<u>0</u>	<u>397,507</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$26,000</u>	<u>\$6,240</u>	<u>\$6,520,729</u>	<u>\$0</u>	<u>\$2,000,000</u>	<u>\$23,000</u>

All note proceeds have been spent. The 1991 bond anticipation note is backed by the full faith and credit of the Village and matures within 5 years. This bond was purchased by the Village’s General Fund and is included as part of the General Fund’s Cash Fund balance. The AMP-Ohio bond anticipation note relates to the construction of a new substation located on Harris Road and Greenwich Road. The bond is secured by electric receipts. The Village has agreed to set utility rates sufficient to cover AMP-Ohio Bond requirements.

The Ohio Public Work’s loan relates to Church Street Reconstruction Project. The loan was paid in full by using MV Permissive Tax receipts.

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 Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuations of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005 were an overall debt margin of \$4,738,305 and an unvoted debt margin of \$2,481,969.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 10 – Interfund Transfers**

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$ 42,036
Water Fund	15,836
Wastewater	<u>56,248</u>
Total Transfer from the General Fund	<u>\$114,120</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 11 – Contingent Liabilities**

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

**Note 12 – Compensated Absences**

The criteria for determining vacation and sick leave components are derived from Village ordinances and State laws. Full-time employees earn varying hours of vacation per year, depending upon length of service.

Full-time and regular part-time hourly employees shall be entitled for each completed eighty hours of service to sick leave of four and six tenths (4.6) hours with pay. Effective March 16, 1989, sick leave shall be cumulative without limit. Prior to March 16, 1989, sick leave shall be cumulative up to 120 workdays. Sick leave may be accumulated indefinitely; however, cash payment for accumulated leave upon death, retirement or total disability shall be paid in accordance with the mandates of Ohio Revised Code.

**Note 13 – Joint Ventures**

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.

Village of Lodi  
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Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 13 – Joint Ventures (Continued)**

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, 2005 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 statue of the participants' respective municipal electric utility system. The Project consists of 2138.65 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, 2005 was \$75,226 (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 \$75,018 at December 31, 2004, (the latest information available). 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](http://www.auditor.state.oh.us)

Village of Lodi  
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For the Year Ended December 31, 2005

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**Note 13 – Joint Ventures (Continued)**

The thirty-six participating subdivision and their respective ownership shares at December 31, 2004 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Greent	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.37%	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		4.8%	6,441
			Grand Total	100.00%	134,081

Village of Lodi  
Medina County  
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**Note 13 – Joint Ventures (Continued)**

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

Years	Principal	Interest	Total Debt Service
2006	\$4,025	\$4,279	\$8,304
2007	4,190	4,118	8,308
2008	4,398	3,909	8,307
2009	4,398	3,908	8,306
2010-2020	69,599	21,752	91,351
Total Gross Liability	\$86,610	\$37,966	\$124,576
Less: Amounts Held in Reserve	(11,384)		
Net Obligation	\$75,226		

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 (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, 2005 Lodi has met their debt coverage obligation.

Village of Lodi  
Medina County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 13 – 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 \$81,264 at December 31, 2004 (the latest information available), 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](http://www.auditor.state.oh.us).



## **Auditor of State Betty Montgomery**

### **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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lodi, Medina County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 21, 2006. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated February 21, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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 an 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 2005-001. In a separate letter to the Village's management dated February 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Village of Lodi  
Medina County  
Independent Accountants' Report on Internal Control Over  
Financial Report and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

February 21, 2006

VILLAGE OF LODI  
MEDINA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

**Noncompliance Citation**

Ohio Rev. Code Section 135.13 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, interim deposits such as certificates of deposit must mature not more than one year from the date of deposit.

As of December 31, 2005, the Village held the following investments which exceed the allowable maximum maturities:

<u>Type of Investment</u>	<u>Market/ Carrying Value</u>	<u>Maturity Date</u>
Federal National Mortgage Association	\$ 247,997	11/18/2015
Federal Home Loan Bank	198,188	8/24/2015
Federal National Mortgage Association	266,801	3/21/2011
Federal National Mortgage Association	252,423	8/1/2012
Federal National Mortgage Association	245,726	5/1/2013
Federal National Mortgage Association	257,401	1/2/2014
Certificate of Deposit	104,550	3/8/08
Total Unallowable Investments	<u>1,573,086</u>	
Total Cash and Investments	<u>\$ 4,165,097</u>	
% of Unallowable Investments	38%	

The Village should abide by the Ohio Revised Code requirement with respect to maximum maturities for its investments and should ensure that the allocation of its investments in various types is in accordance with its investment policy.

VILLAGE OF LODI  
MEDINA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	The Village invested in certain U.S. Government Agency securities which had maturity dates which exceed the requirements of Ohio Rev. Code Section 135.13.	No	Comment repeated as Finding Number 2005-001.



**Auditor of State  
Betty Montgomery**

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**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  
MAY 16, 2006**