



**VILLAGE OF LUCKEY
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund – For the Year Ended December 31, 1998	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1997	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund – For the Year Ended December 31, 1997	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Luckey
Wood County
226 Main Street
Post Office Box 384
Luckey, Ohio 43443-0384

To the Village Council:

We have audited the accompanying financial statements of the Village of Luckey, Wood County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1998 and 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 1999 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 grants.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 17, 1999

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$119,769	\$21,156			\$140,925
Special Assessments	1,314	11,101	\$59,117		71,532
Intergovernmental Receipts	22,262	27,558			49,820
Charges for Services	33,166				33,166
Fines, Licenses, and Permits	10,347		1,918		12,265
Earnings on Investments	3,920	1,041	876	\$263	6,100
Miscellaneous	12,096			9,385	21,481
Total Cash Receipts	202,874	60,856	61,911	9,648	335,289
Cash Disbursements:					
Current:					
Security of Persons and Property	32,796	31,311			64,107
Public Health Services	628				628
Leisure Time Activities	6,089				6,089
Community Environment	58,764				58,764
Basic Utility Services	38,041				38,041
Transportation		26,216			26,216
General Government	45,749	284			46,033
Debt Service:					
Principal Payments			19,332		19,332
Interest Payments			34,832		34,832
Capital Outlay				51,536	51,536
Total Cash Disbursements	182,067	57,811	54,164	51,536	345,578
Total Receipts Over/(Under) Disbursements	20,807	3,045	7,747	(41,888)	(10,289)
Other Financing Receipts/(Disbursements):					
Transfers-In				42,226	42,226
Transfers-Out	(42,226)				(42,226)
Total Other Financing Receipts/(Disbursements)	(42,226)			42,226	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(21,419)	3,045	7,747	338	(10,289)
Fund Cash Balances, January 1	103,189	27,979	15,097	20,780	167,045
Fund Cash Balances, December 31	<u>\$81,770</u>	<u>\$31,024</u>	<u>\$22,844</u>	<u>\$21,118</u>	<u>\$156,756</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$33,285
Miscellaneous	1,031
	34,316
Operating Cash Disbursements:	
Personal Services	12,832
Fringe Benefits	3,622
Contractual Services	6,541
Supplies and Materials	7,827
	30,822
Operating Income	3,494
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	54
Net Receipts Over Disbursements	3,548
Fund Cash Balances, January 1	35,148
Fund Cash Balances, December 31	\$38,696

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$116,688	\$21,556			\$138,244
Special Assessments		10,075	\$56,481		66,556
Intergovernmental Receipts	14,537	27,398			41,935
Charges for Services	34,016				34,016
Fines, Licenses, and Permits	5,085		1,400		6,485
Earnings on Investments	6,494				6,494
Miscellaneous	7,583	10,000			17,583
Total Cash Receipts	<u>184,403</u>	<u>69,029</u>	<u>57,881</u>		<u>311,313</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	13,195	33,050			46,245
Public Health Services	546				546
Leisure Time Activities	6,528	2,565			9,093
Community Environment	34,974				34,974
Basic Utility Services	37,497				37,497
Transportation		22,797			22,797
General Government	48,351	260			48,611
Debt Service:					
Principal Payments			18,048		18,048
Interest Payments			36,116		36,116
Capital Outlay				\$32,562	32,562
Total Cash Disbursements	<u>141,091</u>	<u>58,672</u>	<u>54,164</u>	<u>32,562</u>	<u>286,489</u>
Total Receipts Over/(Under) Disbursements	<u>43,312</u>	<u>10,357</u>	<u>3,717</u>	<u>(32,562)</u>	<u>24,824</u>
Other Financing Receipts/(Disbursements):					
Transfers-In				19,623	19,623
Transfers-Out	(19,623)				(19,623)
Total Other Financing Receipts/(Disbursements)	<u>(19,623)</u>			<u>19,623</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>23,689</u>	<u>10,357</u>	<u>3,717</u>	<u>(12,939)</u>	<u>24,824</u>
Fund Cash Balances, January 1	<u>79,500</u>	<u>17,622</u>	<u>11,380</u>	<u>33,719</u>	<u>142,221</u>
Fund Cash Balances, December 31	<u>\$103,189</u>	<u>\$27,979</u>	<u>\$15,097</u>	<u>\$20,780</u>	<u>\$167,045</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$33,100
Operating Cash Disbursements:	
Personal Services	10,023
Fringe Benefits	2,867
Contractual Services	9,395
Supplies and Materials	6,344
Total Operating Cash Disbursements	28,629
Operating Income	4,471
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	49
Net Receipts Over Disbursements	4,520
Fund Cash Balances, January 1	30,628
Fund Cash Balances, December 31	\$35,148

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Luckey, Wood County, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides general governmental services, including sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

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 disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Police Fund - This fund receives real estate and personal property taxes to provide police services for the Village.

Street Lighting Fund - This fund receives special assessments to fund the lighting of Village streets.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Sewer Debt Service Fund - This fund receives special assessments for the payment of principal and interest on Ohio Water Development Authority Loans.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Projects Fund - This fund receives transfers from the General Fund for capital improvements.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not utilize the encumbrance method of accounting for the fiscal years ending December 31, 1998 and 1997.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>1998</u>	<u>1997</u>
Demand deposits	<u>\$195,452</u>	<u>\$202,193</u>

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$223,799	\$202,874	(\$20,925)
Special Revenue	81,378	60,856	(20,522)
Debt Service	57,900	61,911	4,011
Capital Projects	40,900	51,874	10,974
Enterprise	32,810	34,370	1,560
Total	<u>\$436,787</u>	<u>\$411,885</u>	<u>(\$24,902)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$272,111	\$224,293	\$47,818
Special Revenue	73,810	57,811	15,999
Debt Service	55,362	54,164	1,198
Capital Projects	55,800	51,536	4,264
Enterprise	34,840	30,822	4,018
Total	<u>\$491,923</u>	<u>\$418,626</u>	<u>\$73,297</u>

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,325	\$184,403	(\$40,922)
Special Revenue	58,912	69,029	10,117
Debt Service	57,900	57,881	(19)
Capital Projects	18,226	19,623	1,397
Enterprise	25,000	33,149	8,149
Total	<u>\$385,363</u>	<u>\$364,085</u>	<u>(\$21,278)</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$264,455	\$160,714	\$103,741
Special Revenue	64,982	58,672	6,310
Debt Service	54,164	54,164	
Capital Projects	35,000	32,562	2,438
Enterprise	31,650	28,629	3,021
Total	\$450,251	\$334,741	\$115,510

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$470,576	7.11%

The Ohio Water Development Authority (OWDA) loan relates to a sewer line project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments of \$54,164, including interest, to be paid off in 15 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
1999	\$54,165
2000	54,164
2001	54,165
2002	54,164
2003	54,165
Subsequent	<u>487,479</u>
Total	<u><u>\$758,302</u></u>

6. RETIREMENT SYSTEMS

The Village's Police Chief belongs to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance and dental coverage to full-time employees through a private carrier.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

8. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations as early as fiscal year 1999.

The Village of Luckey maintains their accounting and financial reporting system on a manual basis. Sewer utility billing is automated and the software is provided by Fund Balance. The Village has installed Fund Balance Plus provided by the vendor for compliance with year 2000. As of December 17, 1999, the Village is in the validating and testing stage for the sewer utility billing.

Wood County collects property taxes for distribution to the Village. Wood County also distributes a substantial sum of money to the Village in the form of Local Government monies and Motor Vehicle License Fees. Wood County is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the Village in the form of Gasoline Tax and Motor Vehicle License Fees. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Village is or will be Year 2000 ready, that the Village's remediation efforts will be successful in whole or in part, or that parties with whom the Village does business will be year 2000 ready.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Luckey
Wood County
226 Main Street
Post Office Box 384
Luckey, Ohio 43443-0384

To the Village Council:

We have audited the accompanying financial statements of the Village of Luckey, Wood County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated December 17, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-30187-001 and 1998-30187-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 17, 1999.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 17, 1999.

This report is intended for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 17, 1999

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-30187-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (D), requires in part that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from previous encumbrance.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

In all of the transactions tested the certificate of the fiscal officer was not present.

It is recommended that the Village certify the availability of funds prior to entering into any contract or order of any expenditure of money.

FINDING NUMBER 1998-30187-002

Noncompliance Citation

Ohio Administrative Code § 117-5-11 requires the Village post encumbrances to the appropriation ledger, which is initiated by an executed purchase order. Obligations entered into by the Village were not encumbered against appropriations. The Village Clerk-Treasurer did not utilize purchase orders and did not post encumbrances to the appropriations ledger. Failure to utilize the encumbrance method of accounting could result in expenditures exceeding appropriations and eventually lead to deficit spending. We recommend the village implement the encumbrance system of accounting by utilizing purchase orders to identify purchase commitments and to record such obligations in the appropriation ledger.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF LUCKEY

WOOD 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
JANUARY 11, 2000**