



**Auditor of State  
Betty Montgomery**



VILLAGE OF LUCAS  
RICHLAND COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Lucas  
Richland County  
101 First Avenue  
PO Box 366  
Lucas, Ohio 44843

To the Village Council:

We have audited the accompanying financial statements of the Village of Lucas, Richland County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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, 2002 and 2001, 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 April 23, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, 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.

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

**Betty Montgomery**  
Auditor of State

April 23, 2003

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$9,633		\$9,633
State Shared Taxes and Permits	17,255		17,255
Intergovernmental Receipts	38,932	\$38,640	77,572
Fines, Licenses, and Permits	5,783		5,783
Earnings on Investments	12,041	369	12,410
Miscellaneous	2,402		2,402
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,046	39,009	125,055
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	28,750		28,750
Community Environment	199		199
Transportation		30,514	30,514
General Government	26,274		26,274
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	55,223	30,514	85,737
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	30,823	8,495	39,318
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		10,000	10,000
Transfers-Out	(25,000)		(25,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(25,000)	10,000	(15,000)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,823	18,495	24,318
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	15,618	32,161	47,779
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$21,441</u></b>	<b><u>\$50,656</u></b>	<b><u>\$72,097</u></b>

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$10,113		\$10,113
State Shared Taxes and Permits	9,529		9,529
Intergovernmental Receipts	38,309	\$39,526	77,835
Fines, Licenses, and Permits	4,563		4,563
Earnings on Investments	17,024	500	17,524
Miscellaneous	8,501	1,873	10,374
	<u>88,039</u>	<u>41,899</u>	<u>129,938</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	42,068		42,068
Community Environment	2,865		2,865
Transportation		26,864	26,864
General Government	24,791		24,791
Capital Outlay	5,000	18,430	23,430
	<u>74,724</u>	<u>45,294</u>	<u>120,018</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>13,315</u>	<u>(3,395)</u>	<u>9,920</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		10,000	10,000
Transfers-Out	(22,500)		(22,500)
	<u>(22,500)</u>	<u>10,000</u>	<u>(12,500)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,185)	6,605	(2,580)
Fund Cash Balances, January 1	<u>24,803</u>	<u>25,556</u>	<u>50,359</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$15,618</u></b>	<b><u>\$32,161</u></b>	<b><u>\$47,779</u></b>

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



**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$482,304		\$482,304
Miscellaneous	606		606
<b>Total Operating Cash Receipts</b>	<u>482,910</u>		<u>482,910</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	149,875		149,875
Travel Transportation	2,538		2,538
Contractual Services	250,845		250,845
Supplies and Materials	21,669		21,669
Capital Outlay	18,317		18,317
<b>Total Operating Cash Disbursements</b>	<u>443,244</u>		<u>443,244</u>
Operating Income/(Loss)	<u>39,666</u>		<u>39,666</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		\$7,153	7,153
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	72,484		72,484
Other Non-Operating Cash Disbursements		7,153	7,153
<b>Total Non-Operating Cash Disbursements</b>	<u>72,484</u>	<u>7,153</u>	<u>79,637</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(32,818)		(32,818)
Transfers-In	15,000		15,000
Net Receipts Over/(Under) Disbursements	(17,818)		(17,818)
Fund Cash Balances, January 1	381,620		381,620
<b>Fund Cash Balances, December 31</b>	<u><u>\$363,802</u></u>	<u><u>\$0</u></u>	<u><u>\$363,802</u></u>

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$499,166		\$499,166
Miscellaneous	4,792		4,792
	<u>503,958</u>		<u>503,958</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	122,740		122,740
Travel Transportation	2,280		2,280
Contractual Services	255,397		255,397
Supplies and Materials	17,002		17,002
Capital Outlay	33,375		33,375
	<u>430,794</u>		<u>430,794</u>
Total Operating Cash Disbursements			
	<u>73,164</u>		<u>73,164</u>
Operating Income/(Loss)			
	<u>73,164</u>		<u>73,164</u>
<b>Non-Operating Cash Receipts:</b>			
Proceeds from Notes and Bonds	79,575		79,575
Other Non-Operating Receipts		\$3,296	3,296
	<u>79,575</u>	<u>3,296</u>	<u>82,871</u>
Total Non-Operating Cash Receipts			
	<u>79,575</u>	<u>3,296</u>	<u>82,871</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	153,728		153,728
Other Non-Operating Cash Disbursements		3,296	3,296
	<u>153,728</u>	<u>3,296</u>	<u>157,024</u>
Total Non-Operating Cash Disbursements			
	<u>153,728</u>	<u>3,296</u>	<u>157,024</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(989)		(989)
Transfers-In	12,500		12,500
Net Receipts Over/(Under) Disbursements	11,511		11,511
Fund Cash Balances, January 1	370,109		370,109
<b>Fund Cash Balances, December 31</b>	<b><u>\$381,620</u></b>	<b><u>\$0</u></b>	<b><u>\$381,620</u></b>

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Lucas, Richland 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 water, sewer and electric utilities. The Village contracts with the Richland County Sheriff's department to provide security of persons and property.

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**

Investments are included in the fund cash balances. 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.

Certificates of deposit are valued at cost. STAR Ohio is recorded at share values reported by STAR Ohio.

**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.

**2. Special Revenue Funds**

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 has the following significant Special Revenue Funds:

VILLAGE OF LUCAS  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. **Fund Accounting (continued)**

2. **Special Revenue Funds (continued)**

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

*Piggyback Sales Tax Fund* - This fund receives permissive sales tax revenues and is used to purchase capital items related to the Village streets.

3. **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 has the following significant Enterprise Fund:

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

4. **Fiduciary Fund (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village does not have any Trust Funds. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following significant Agency Fund:

*Mayor's Court Fund* - This fund receives money from the collection of fines and forfeitures.

E. **Budgetary Process**

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

1. **Appropriations**

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Budgetary Process (continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2002	2001
Demand deposits	\$200,516	\$196,661
Certificates of deposit	86,428	86,428
Total deposits	286,944	283,089
 STAR Ohio	 148,955	 146,310
 Total deposits and investments	 \$435,899	 \$429,399

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,474	\$86,046	(\$23,428)
Special Revenue	48,204	49,009	805
Enterprise	526,820	497,910	(28,910)
Total	\$684,498	\$632,965	(\$51,533)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,785	\$80,223	\$19,562
Special Revenue	50,210	30,514	19,696
Enterprise	597,285	515,728	81,557
Total	\$747,280	\$626,465	\$120,815

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,380	\$88,039	(\$5,341)
Special Revenue	60,700	51,899	(8,801)
Capital Projects	50,000	0	(50,000)
Enterprise	564,665	596,033	31,368
Total	\$768,745	\$735,971	(\$32,774)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,731	\$97,224	\$9,507
Special Revenue	57,356	45,294	12,062
Enterprise	607,574	584,522	23,052
Total	\$771,661	\$727,040	\$44,621

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**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 payments, 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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$179,924	7.65%
Electric System Revenue Notes	30,000	4.05%
Sanitary Sewer Improvement Notes	23,660	4.52%
Water System Improvement Bonds	<u>60,000</u>	6.10%
Total	<u>\$293,584</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved \$325,504 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$14,793, including interest, over 25 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt in the amount of service requirements.

The Electric System Revenue Notes and Sanitary Sewer Improvement Notes were issued in 2001 in the amounts of \$50,000 and \$29,575, respectively, to refinance higher interest rate debt obtained by the Village to finance improvements at the Village's electric substation and for the construction of a disinfection system at the sewer plant. The loans are collateralized by water and sewer receipts. The Village makes semi-annual payments that vary based on the amount of interest due.

The Water System Improvement Bonds were issued for the construction of the Village Water tower in 1986, in the amount \$160,000. The Village makes semi-annual payments that vary based on the principal and interest due. The loan is collateralized by water receipts.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (continued)**

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

Year ending December 31:	<u>OWDA Loan</u>	<u>Electric System Revenue Notes</u>	<u>Sanitary Sewer Improvement Notes</u>	<u>Water System Improvement Bonds</u>
2003	\$29,586	\$21,013	\$6,918	\$13,795
2004	29,586	10,203	6,650	13,185
2005	29,586		6,383	12,565
2006	29,586		6,116	16,935
2007	29,586			15,975
2008 – 2012	118,344			
Total	<u>\$266,274</u>	<u>\$31,215</u>	<u>\$26,066</u>	<u>\$72,455</u>

**6. RETIREMENT SYSTEM**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2002 and 2001, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan") an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. JOINT VENTURES**

OMEGA JV 1, OMEGA JV 2, and OMEGA JV 5

The Village's electric enterprise fund has entered into an ongoing joint venture agreement with Ohio Municipal Electric Systems to form the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2 and 5 (OMEGA JV 1, OMEGA JV 2, and OMEGA JV 5) for the purposes of providing electric power and energy to its participants on a cooperative basis. Title to the six diesel-powered generating units in OMEGA JV 1, title to the thirty-seven generating units in OMEGA JV 2, and title to the hydroelectric project in OMEGA JV 5 located at the existing Belleville Lock was transferred to the municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a membership organization comprised of communities throughout Ohio, West Virginia, and Pennsylvania that own and operate electric systems. Each participant has a contract, which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. Financial information regarding OMEGA JV 1, OMEGA JV 2, and OMEGA JV 5 can be obtained from AMP-Ohio, 2600 Airport Dr., Columbus, Ohio 43219.

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**Auditor of State  
Betty Montgomery**

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

Village of Lucas  
Richland County  
101 First Avenue  
PO Box 366  
Lucas, Ohio 44843

To the Village Council:

We have audited the accompanying financial statements of the Village of Lucas, Richland County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 23, 2003. 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 *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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 23, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 23, 2003.

Village of Lucas  
Richland County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by 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

April 23, 2003



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF LUCAS**

**RICHLAND 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  
JULY 1, 2003**