

VILLAGE OF LUCAS

RICHLAND COUNTY

JANUARY 1, 2009 TO DECEMBER 31, 2010

AGREED UPON PROCEDURES



Dave Yost • Auditor of State

Village Council
Village of Lucas
P.O. Box 366
Lucas, Ohio 44843

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of the Village of Lucas, Richland County, prepared by Julian & Grube, Inc., for the period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lucas is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 29, 2011

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Julian & Grube, Inc.

Serving Ohio Local Governments

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Lucas
Richland County
P.O. Box 366
Lucas, Ohio 44843

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of Village of Lucas and the Auditor of State have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2010 and 2009, including mayor's court receipts, disbursements and balances, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and/or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2010 and December 31, 2009 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2009 beginning fund balances recorded in the Year to Date Fund Report to the December 31, 2008 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2010 and 2009 fund cash balances reported in the Year to Date Fund Report. The amounts agreed.
4. We confirmed the December 31, 2010 bank account balances with the Village's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2010 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2010 bank reconciliation:
 - a. We traced each debit to the subsequent January and bank statements. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

6. We tested interbank account transfers occurring in December of 2010 and 2009 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
7. We tested investments held at December 31, 2010 and December 31, 2009 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2010 and one from 2009:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue History Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue History Report to determine whether it included the proper number of tax receipts for 2010 and 2009:
 - a. Two personal property tax receipts
 - b. Two real estate tax receiptsWe noted the Revenue History Report included the proper number of tax settlement receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2010 and five from 2009. We also selected five receipts from the County Auditor's Vendor Payment Confirmation from 2010 and five from 2009.
 - a. We compared the amount from the DTL and County Auditor's Vendor Payment Confirmation to the amount recorded in the Revenue History Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from the Ohio Public Works Commission (OPWC) and Ohio Department of Transportation (ODOT) to the Village during 2010 with OPWC and ODOT. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper funds. All amounts were posted to the proper fund with the exception of a receipt of \$4,682 of ODOT monies recorded in the general fund, reimbursing amounts previously paid by the general fund.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Water, Sewer and Electric Funds

1. We haphazardly selected 10 Water, Sewer and Electric funds collection cash receipts from the year ended December 31, 2010 and 10 collection cash receipts from the year ended 2009 recorded in the Daily Edit List and determined whether the:
 - a. Receipt amount per the Daily Edit List agreed to the amount recorded to the credit of the customer's account in the Customer Transaction Summary. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Customer Transaction Summary for the billing period. We found no exceptions.

- ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
 - c. Receipt was posted to the proper fund(s), and was recorded in the year received. We found no exceptions.
- 2. We read the Aged Accounts Receivable Report.
 - a. We noted this report listed \$71,909 and \$72,502 of accounts receivable as of December 31, 2010 and 2009, respectively.
 - b. Of the total receivables reported in the preceding step, \$711 and \$3,171 were recorded as more than 300 days delinquent.
- 3. We read the Adjustment Transactions List.
 - a. We noted this report listed a total of \$1,951 and \$7,659 non-cash receipts adjustments for the years ended December 31, 2010 and 2009, respectively.
 - b. We selected five non-cash adjustments from 2010 and five non-cash adjustments from 2009, and noted that the Village Administrator approved one of five adjustments tested in 2010 and three of five in 2009.

Debt

- 1. From the prior audit report, we noted the following notes and loans as of December 31, 2008. These amounts did not agree to the Villages January 1, 2009 balances on the summary we used in step 3. An additional Ohio Water Development Authority loan was not included on the audit report which had a balance of \$303,639 at December 31, 2008. The amount was included on the Village's summary.

Issue	Principal outstanding as of December 31, 2008:
OWDA	\$64,878
Sanitary Sewer Improvement Notes	\$70,717
Water-Loop Note	\$51,836

- 2. We inquired of management, and scanned the Revenue History Report and Budget History Report for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. All debt noted agreed to the summary we used in step 3.
- 3. We obtained a summary of note and loan debt activity for 2010 and 2009 and agreed principal and interest payments from the related debt amortization schedules to the water and sanitary sewer fund payments reported in the Budget History Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.
- 4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the water fund per the Revenue History Report. The amounts agreed.
- 5. For new debt issued during 2010 and 2009, we inspected the debt legislation, noting the Village must use the proceeds for wellhouse and water treatment plant improvements. We scanned the Budget History Report and minutes and noted the Village contracted out for such improvements. The debt was approved for \$110,000; an amount of \$27,860 was disbursed as of December 31, 2010 on behalf of the Village toward the contract.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2010 and one payroll check for five employees from 2009 from the Payroll Ledger and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
 - c. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files and minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.

2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2010 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2010. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2011	December 21, 2010	\$1,700	\$1,700
State income taxes	January 15, 2011	December 21	\$384	\$384
City of Shelby Income Taxes	January 30, 2011	December 21	\$42	\$42
OPERS retirement	January 30, 2011	December 21	\$1,336	\$1,336

3. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Payroll Ledger and Budget History Report
 - a. Severance Agreement and Release Claims dated September 16, 2010.

The amount paid was consistent with the information recorded in a. above.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Budget History Report for the year ended December 31, 2010 and ten from the year ended 2009 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Budget History Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

Mayors Court Transactions and Cash Balances

1. We tested the mathematical accuracy of the December 31, 2010 and December 31, 2009 bank reconciliations. We found no exceptions.
2. We compared the reconciled cash totals as of December 31, 2010 and December 31, 2009 to the Mayor's Court Agency Fund balance reported in Year to Date Fund Report. The balances agreed.
3. We agreed the totals per the bank reconciliations to the total of December 31, 2010 and 2009 listing of unpaid distributions as of each December 31. The amounts agreed.
4. We confirmed the December 31, 2010 bank account balances with the Mayor's Court financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2010 bank reconciliation without exception.
5. We haphazardly selected five cases from the court cash book and agreed the payee and amount posted to the:
 - a. Duplicate receipt book.
 - b. Docket, including comparing the total fine paid to the judgment issued by the judge (i.e. mayor)
 - c. Case file.

The amounts recorded in the cash book, receipts book, docket and case file agreed, except one instance representing a partial payment of a judgment, which is not an exception.

6. From the cash book, we haphazardly selected one month from the year ended December 31, 2010 and one month from the year ended 2009 and determined whether:
 - a. The monthly sum of fines and costs collected for those months agreed to the amounts reported as remitted to the Village, State or other applicable government in the following month. We found no exceptions.
 - b. The totals remitted for these two months per the cash book agreed to the returned canceled checks. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the cash book.

Compliance – Budgetary

1. We compared the total amounts from the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances* required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Year End Monthly Revenue Statement for the General, State Highway and Capital Projects Sidewalk funds for the years ended December 31, 2010 and 2009. The amounts agreed.
2. We scanned the appropriation measures adopted for 2010 and 2009 to determine whether, for the General, Street Construction, Maintenance and Repair and Electric funds, the Council appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found that the Village appropriates at the object level within each fund without breaking out the department.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Year End Monthly Financial Statement for 2010 and 2009 for the following funds: General, Street Construction, Maintenance and Repair and Electric funds. The amounts on the appropriation resolutions did not agree to the amounts recorded in the Year End Monthly Financial Statement for 2010 in the General, Street Construction, Maintenance and Repair and Electric funds by \$25,250, \$3,610, and \$16,725, respectively.

4. Ohio Rev. Code Section 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Permissive Sales Tax and Sewer funds for the years ended December 31, 2010 and 2009. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2010 and 2009 for the General, State Highway and Capital Projects Water fund, as recorded in the Year End Monthly Financial Statement. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue History Report for evidence of new restricted receipts requiring a new fund during December 31, 2010 and 2009. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2010 and 2009 Year End Monthly Revenue Statement and Year End Monthly Financial Statement for evidence of interfund transfers exceeding \$4,000 which Ohio Rev. Code Sections 5705.14 -- .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Year End Monthly Financial Statement to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.

Compliance – Contracts & Expenditures

1. We inquired of management and scanned the Budget History Report for the years ended December 31, 2010 and 2009 for material or labor procurements which exceeded \$25,000, and therefore required competitive bidding under Ohio Rev. Code Section 731.14.

We identified a wellhouse and water treatment plant improvements exceeding \$25,000, subject to Ohio Rev. Code Section 731.14. For this project, we noted that the Council advertised the project in a local newspaper, and selected the lowest responsible bidder. We also noted the Village searched the unresolved findings for recovery website prior to issuing contract and complied with applicable prevailing wage requirements.

2. We inquired of management and scanned the Budget History Report for the years ended December 31, 2010 and 2009 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

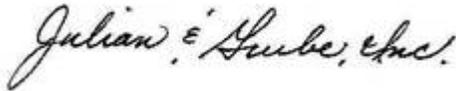
Officials' Response–

The Village of Lucas has reviewed the 2009-2010 Agreed Upon Procedures report and offers the following comments:

1. Page 3, Debt section, states an additional Ohio Water Development Authority loan was not included on the 2007-2008 audit report. Debt issuance was reported on the 2008 Annual Financial Report but was omitted from the 2007-2008 audit.
2. The Agreed Upon Procedures, while monetarily less, has proven to be a more in depth process. More testing and controls were required which more time and personal services.
3. The auditing firm for this audit cycle was very informative, experienced, and professional in their services. Suggestions were welcomed and will be applied in coming years. Great Job!

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, the Auditor of State, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
June 30, 2011

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Dave Yost • Auditor of State

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
AUGUST 11, 2011