



Dave Yost • Auditor of State

VILLAGE OF LUCKEY
WOOD COUNTY

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Dave Yost • Auditor of State

Village of Luckey
Wood County
226 Main Street, P.O. Box 384
Luckey, Ohio 43443-0384

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

October 24, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Luckey
Wood County
226 Main Street, P.O. 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, 2011 and 2010. 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 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Luckey, Wood County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2 for 2010 the Village changed its method of presentation from a cash basis of accounting similar to the requirements for statements prepared in accordance with GASB statement 34 to a regulatory basis of accounting. In addition, as described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012, 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.



Dave Yost
Auditor of State

October 24, 2012

**VILLAGE OF LUCKEY
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$47,414	\$26,438		\$73,852
Municipal Income Tax	157,056			157,056
Intergovernmental	21,126	60,682		81,808
Special Assessments		11,298		11,298
Charges for Services	58,794			58,794
Fines, Licenses and Permits	7,830			7,830
Earnings on Investments	1,025	183		1,208
Miscellaneous	8,226			8,226
<i>Total Cash Receipts</i>	<u>301,471</u>	<u>98,601</u>		<u>400,072</u>
Cash Disbursements				
Current:				
Security of Persons and Property	80,392	44,037		124,429
Leisure Time Activities	8,697			8,697
Community Environment	82,696			82,696
Basic Utility Services	73,443			73,443
Transportation		52,204		52,204
General Government	65,932			65,932
Capital Outlay		3,710	\$28,074	31,784
<i>Total Cash Disbursements</i>	<u>311,160</u>	<u>99,951</u>	<u>28,074</u>	<u>439,185</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(9,689)</u>	<u>(1,350)</u>	<u>(28,074)</u>	<u>(39,113)</u>
Other Financing Receipts (Disbursements)				
Transfers In			31,634	31,634
Transfers Out	(31,634)			(31,634)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(31,634)</u>		<u>31,634</u>	
<i>Net Change in Fund Cash Balances</i>	<u>(41,323)</u>	<u>(1,350)</u>	<u>3,560</u>	<u>(39,113)</u>
<i>Fund Cash Balances, January 1</i>	<u>128,022</u>	<u>151,220</u>	<u>50,055</u>	<u>329,297</u>
Fund Cash Balances, December 31				
Restricted		149,870		149,870
Committed			53,615	53,615
Unassigned	86,699			86,699
<i>Fund Cash Balances, December 31</i>	<u>\$86,699</u>	<u>\$149,870</u>	<u>\$53,615</u>	<u>\$290,184</u>

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

**VILLAGE OF LUCKEY
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$214,622
Operating Cash Disbursements	
Personal Services	14,315
Employee Fringe Benefits	2,912
Contractual Services	12,426
Supplies and Materials	11,042
<i>Total Operating Cash Disbursements</i>	40,695
<i>Operating Income</i>	173,927
Non-Operating Receipts (Disbursements)	
Special Assessments	17,954
Principal Retirement	(80,214)
Interest and Other Fiscal Charges	(113,829)
<i>Total Non-Operating Receipts (Disbursements)</i>	(176,089)
<i>Net Change in Fund Cash Balances</i>	(2,162)
<i>Fund Cash Balances, January 1</i>	547,329
<i>Fund Cash Balances, December 31</i>	\$545,167

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

**VILLAGE OF LUCKEY
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$46,805	\$26,401		\$73,206
Municipal Income Tax	148,303			148,303
Intergovernmental	21,677	55,967		77,644
Special Assessments		11,177		11,177
Charges for Services	58,888			58,888
Fines, Licenses and Permits	7,156			7,156
Earnings on Investments	1,219	252		1,471
Miscellaneous	10,345			10,345
<i>Total Cash Receipts</i>	<u>294,393</u>	<u>93,797</u>		<u>388,190</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	73,108	45,292		118,400
Public Health Services	950			950
Leisure Time Activities	9,500			9,500
Community Environment	80,416			80,416
Basic Utility Service	68,795			68,795
Transportation		101,879		101,879
General Government	80,807			80,807
Capital Outlay		7,755	\$50,718	58,473
<i>Total Cash Disbursements</i>	<u>313,576</u>	<u>154,926</u>	<u>50,718</u>	<u>519,220</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(19,183)</u>	<u>(61,129)</u>	<u>(50,718)</u>	<u>(131,030)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			29,661	29,661
Transfers-Out	(29,661)			(29,661)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(29,661)</u>		<u>29,661</u>	
<i>Net Change in Fund Cash Balance</i>	(48,844)	(61,129)	(21,057)	(131,030)
<i>Fund Cash Balances, January 1</i>	<u>176,866</u>	<u>212,349</u>	<u>71,112</u>	<u>460,327</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$128,022</u></u>	<u><u>\$151,220</u></u>	<u><u>\$50,055</u></u>	<u><u>\$329,297</u></u>

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

VILLAGE OF LUCKEY
WOOD COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$221,864</u>
Operating Cash Disbursements:	
Personal Services	13,422
Employee Fringe Benefits	2,914
Contractual Services	40,045
Supplies and Materials	<u>11,634</u>
<i>Total Operating Cash Disbursements</i>	<u>68,015</u>
<i>Operating Income</i>	<u>153,849</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	42,133
Special Assessments	33,048
Earnings on Investments	<u>(84,079)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(126,887)</u>
<i>Net Change in Fund Cash Balances</i>	26,962
<i>Fund Cash Balances, January 1</i>	<u>520,367</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$547,329</u></u>

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

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Luckey, Wood County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village maintains its own Police Department to provide security of persons and property.

The Village participates in Ohio Plan Risk Management, Inc. public entity risk pool. Note 10 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Police Fund – This fund receives personal property tax and related intergovernmental money to fund Village police operations.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Improvement Fund – The Capital Improvement Fund receives twenty percent of the income tax money that is collected and is used to make major equipment purchases or improvements.

4. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents and businesses to cover sewer service costs.

Sewer Debt Service Fund - This fund receives a portion of charges for services from residents and businesses to cover the retirement of the old sewer debt.

Sewer Debt Retirement Fund - This fund receives a portion of charges for services from residents and businesses to cover the retirement of the new sewer debt.

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 Village 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 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For fiscal year 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. This change had no effect on the previously stated fund balances.

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Financial Statement Presentation

In prior years the Village prepared its financial statements on the cash basis similar to the requirements of statements prepared in accordance with GASB statement 34. For 2010, the Village began preparing its statements on a regulatory basis. Instead of a separate column for each major fund with all other funds combined into a single fund, the Village presents each fund type in a separate column.

3. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$835,351	\$876,626

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$290,231	\$301,471	\$11,240
Special Revenue	78,378	98,601	20,223
Capital Projects	36,250	31,634	(4,616)
Enterprise	177,000	232,576	55,576
Total	\$581,859	\$664,282	\$82,423

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$366,740	\$342,794	\$23,946
Special Revenue	161,492	99,951	61,541
Capital Projects	50,000	28,074	21,926
Enterprise	249,343	234,738	14,605
Total	<u>\$827,575</u>	<u>\$705,557</u>	<u>\$122,018</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$275,839	\$294,393	\$18,554
Special Revenue	71,171	93,797	22,626
Capital Projects	36,250	29,661	(6,589)
Enterprise	252,000	297,045	45,045
Total	<u>\$635,260</u>	<u>\$714,896</u>	<u>\$79,636</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$371,300	\$343,237	\$28,063
Special Revenue	177,515	154,926	22,589
Capital Projects	65,210	50,718	14,492
Enterprise	276,295	270,083	6,212
Total	<u>\$890,320</u>	<u>\$818,964</u>	<u>\$71,356</u>

5. Property Tax

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

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

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.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Local Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as on incomes of residents earned outside of the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 1/2 percent of the 1 percent tax rate on taxable income. Twenty percent of the tax is distributed to the Capital Improvement Fund.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1987 OWDA Loan	\$50,552	7.11%
2007 OPWC Loan	256,000	0%
2008 USDA Rural Development Loan	2,366,000	4.375-4.5%
Total	<u>\$2,672,552</u>	

The 1987 Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The OPWC Construction Loan was obtained to construct a new sewer system. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

The USDA Rural Development Loan was obtained to retire an Ohio Water Development Authority (OWDA) loan that was obtained as interim financing for the sewer system improvement project. The Village repaid the OWDA loan in 2008. The USDA loan will be repaid over 40 years. The Village has agreed to set utility rates sufficient to cover USDA Rural Development debt service requirements.

The USDA Rural Development Loan includes a covenant requiring the Village to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2011 is \$132,500.

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

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Debt (Continued)

Year ending December 31:	1987 OWDA Loan	2007 OPWC Loan	2008 USDA Rural Development Loan
2012	\$54,109	\$24,000	\$131,968
2013		16,000	132,000
2014		16,000	131,979
2015		16,000	132,003
2016		16,000	132,070
2017-2021		80,000	659,964
2022-2026		80,000	660,048
2027-2031		8,000	659,986
2032-2036			660,074
2037-2041			659,971
2042-2046			660,132
2047-2048			263,914
Total	<u>\$54,109</u>	<u>\$256,000</u>	<u>\$4,884,109</u>

8. Leases

The Village leases a vehicle under a non-cancelable lease. The Village disbursed \$15,264 to pay lease costs for the years ended December 31, 2011 and 2010. The Village has one remaining lease payment, payable in 2012, in the amount of \$15,264.

9. Retirement Systems

The Village's certified full-time Police Officer belongs to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, the OP&F participant contributed 10% of his wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of the full-time police member's wages. For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

10. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

10. Risk Management (Continued)

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Luckey
Wood County
226 Main Street, P.O. Box 384
Luckey, Ohio 43443-0384

To the Village Council:

We have audited the financial statements of the Village of Luckey, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 24, 2012, wherein we noted the Village change its method of accounting from the cash basis to accounting practices the Auditor of State prescribes and in 2011 the Village adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-003 described in the accompanying schedule of findings to be material weaknesses.

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 instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-002 and 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 24, 2012.

We intend this report solely for the information and use of management, the finance committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 24, 2012

**VILLAGE OF LUCKEY
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness – Monitoring Financial Statements

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The fiscal year 2011 and 2010 financial statements contained the following material errors that required reclassification. The accompanying financial statements reflect these amounts:

- Personal property intergovernmental revenues, homestead and rollback revenues, and Electric/Gas Deregulation revenues were reported as taxes in the General Fund in the amount of \$8,879 and in the Special Revenue funds in the amount of \$4,619 for 2010.
- A reimbursement from the USDA for sewer expenses, a payment from Northwestern Water and Sewer District for sewer tap-in fees, delinquent utility payments and delinquent tap-in fees received from the County, and delinquent payments for utilities from customers were reported as miscellaneous revenues in the Enterprise funds in the amount of \$50,024 in 2010. These amounts were reclassified as intergovernmental revenues in the amount of \$42,133, special assessments in the amount of \$6,891, and charges for services in the amount of \$1,000.
- Delinquent utility payments and tap-in fees special assessments were posted as charges for services in the Enterprise funds in the amount of \$19,227 for 2010.
- Delinquent utility payments paid directly to the Village from customers as charges for services were posted as special assessments in the Enterprise funds in the amount of \$509 in 2010.
- Debt principal was posted as debt interest in the Enterprise funds in the amount of \$34,150 and debt interest was posted as debt principal in the Enterprise funds in the amount of \$2,525; the net effect was an overstatement of debt interest and an understatement of debt principal payments in the amount of \$31,625 in 2010.
- Rent payments were posted as charges for services instead of as miscellaneous revenues in the General fund in the amount of \$6,420 in both 2010 and 2011.
- Personal property intergovernmental revenues, homestead and rollback revenues, and Electric/Gas Deregulation revenues were reported as taxes in the General Fund in the amount of \$8,043 and in the Special Revenue funds in the amount of \$3,804 for 2011.
- Delinquent utility payments and tap-in fees special assessments were posted as miscellaneous revenues in the Enterprise funds in the amount of \$3,061 for 2011.
- Delinquent utility payments and tap-in fees special assessments were posted as charges for services in the Enterprise funds in the amount of \$14,892 for 2011.
- Refuse payments were posted as income tax revenues in the General fund in the amount of \$237 for 2011.
- Debt interest was posted as debt principal in the Enterprise funds in the amount of \$1,506 for 2011.

**FINDING NUMBER 2011-001
(Continued)**

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Village Council, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Village Officer's Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

FINDING NUMBER 2011-002

Noncompliance Citation - Material Weakness

Ohio Revised Code, § 5705.10(D), provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The following transactions were found to be posted to the incorrect fund:

- In 2010 delinquent utility payments totaling \$3,504 were posted to the Sewer Debt Service Fund as Special Assessments; instead, these amounts should have been posted as Charges for Services to the following funds in the following amounts: Sewer Operating Fund - \$844 and Sewer Debt Retirement Fund - \$2,660.
- In 2011, errors were noted in the distribution of Auto Registration, Gasoline Tax, and State Highway intergovernmental revenues, resulting in \$5,642 posted to the State Highway fund, which should have been posted to the Street Construction, Maintenance and Repair Fund.
- In 2011, utility payments totaling \$876 were posted to the General Fund as Income Tax receipts; instead, these amounts should have been posted as Charges for Services to the following funds in the following amounts: Sewer Operating Fund - \$203 and Sewer Debt Retirement Fund - \$673.

The accompanying financial statement and the Village's accounting records were adjusted to reflect these amounts in the proper funds.

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Village Council, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Village Officer's Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

FINDING NUMBER 2011-003

Noncompliance Citation – Material Weakness

Ohio Revised Code, § 5705.14(E), states money may be transferred from the general fund to any other fund of the subdivision. Further, **OAG Opinion 89-075** requires a governing board resolution passed by a simple majority of the board members to transfer funds.

FINDING NUMBER 2011-003
(Continued)

Transfers made from the Village's general fund to the Village's capital projects fund are set by Village Income Tax Ordinance #730. The Ordinance, as approved by Village Council, stipulates the balance of the funds collected each year under the provisions of the Ordinance, shall be paid into special funds established for the following purposes: 80% of the Village's income tax revenues shall be transferred and deposited into the general fund, and the remaining 20% shall be transferred and deposited into the capital improvements fund.

All income tax revenues are deposited in the general fund. In both years of the audit period, the Fiscal Officer transferred monies from the general fund to the capital projects fund in an amount greater than the approved 20%, resulting in an overpayment of \$7,415 in 2010 and \$6,158 in 2011. These amounts are due the general fund.

The accompanying financial statement and the Village's accounting records were adjusted to reflect these amounts in the proper funds.

We recommend the Fiscal Officer carefully review the Village's Income Tax Ordinance to ensure the amounts being transferred are consistent with legislatively approved rates.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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**VILLAGE OF LUCKEY
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code 5705.41(D), the Fiscal Officer did not certify the availability of funds for expenditures.	No	Improvement made reducing this to a management letter comment.

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Dave Yost • Auditor of State

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
DECEMBER 6, 2012