

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2013 - DECEMBER 31, 2014**





# Dave Yost • Auditor of State

Village Council  
Village of Lucas  
PO Box 366  
Lucas, Ohio 44843

We have reviewed the *Independent Auditor's Report* of the Village of Lucas, Richland County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

August 21, 2015

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**VILLAGE OF LUCAS  
RICHLAND COUNTY  
JANUARY 1, 2013 - DECEMBER 31, 2014**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Village of Lucas  
Richland County  
101 First Avenue  
Lucas, Ohio 44843

To the Village Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements and related notes of the Village of Lucas, Richland County, as of and for the years ended December 31, 2014 and 2013.

**Management's Responsibility For the Financial Statements**

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

#### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Village of Lucas, Richland County as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

#### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Lucas, Richland County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2015, on our consideration of Village of Lucas'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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
May 6, 2015

**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, 2014**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 26,104	\$ -	\$ -	\$ 26,104
Intergovernmental Receipts	19,255	38,414	-	57,669
Charges for Services	1,400	-	-	1,400
Fines, Licenses, and Permits	57,362	-	-	57,362
Earnings on Investments	59	-	-	59
Miscellaneous	14,626	-	500	15,126
<b>Total Cash Receipts</b>	<u>118,806</u>	<u>38,414</u>	<u>500</u>	<u>157,720</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	30,340	-	-	30,340
Public Health Services	2,128	-	-	2,128
Community Environment	2,795	-	-	2,795
Transportation	208	31,035	-	31,243
General Government	35,946	-	-	35,946
Capital Outlay	31,000	26,673	-	57,673
<b>Total Cash Disbursements</b>	<u>102,417</u>	<u>57,708</u>	<u>-</u>	<u>160,125</u>
<b>Total Receipts Over/(Under) Disbursements</b>	16,389	(19,294)	500	(2,405)
<b>Other Financing Receipts/(Disbursements)</b>				
Transfers - Out	(10,000)	-	-	(10,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
<b>Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	6,389	(19,294)	500	(12,405)
<b>Fund Cash Balances, January 1, 2014</b>	<u>52,388</u>	<u>46,045</u>	<u>581</u>	<u>99,014</u>
<b>Fund Cash Balances, December 31, 2014</b>				
Restricted	-	26,751	1,081	27,832
Unassigned (Deficit)	58,777	-	-	58,777
<b>Fund Cash Balances, December 31, 2014</b>	<u>\$ 58,777</u>	<u>\$ 26,751</u>	<u>\$ 1,081</u>	<u>\$ 86,609</u>

See notes to financial statements.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 652,743	\$ -	\$ 652,743
<b>Total Operating Cash Receipts</b>	<u>652,743</u>	<u>-</u>	<u>652,743</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	197,717	-	197,717
Travel	754	-	754
Contractual Services	333,891	-	333,891
Supplies and Materials	26,297	-	26,297
Capital Outlay	30,200	-	30,200
<b>Total Operating Cash Disbursements</b>	<u>588,859</u>	<u>-</u>	<u>588,859</u>
Operating Income/(Loss)	<u>63,884</u>	<u>-</u>	<u>63,884</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-operating Receipts	7,613	11,622	19,235
<b>Total Non-Operating Cash Receipts</b>	<u>7,613</u>	<u>11,622</u>	<u>19,235</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-operating Cash Disbursements	34	11,572	11,606
Debt Service-Principal	38,111	-	38,111
Debt Service-Interest	5,931	-	5,931
<b>Total Non-Operating Cash Disbursements</b>	<u>44,076</u>	<u>11,572</u>	<u>55,648</u>
<b>Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances</b>	<u>27,421</u>	<u>50</u>	<u>27,471</u>
<b>Transfer-In</b>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<b>Net Receipts Over/(Under) Disbursements</b>	<u>37,421</u>	<u>50</u>	<u>37,471</u>
<b>Fund Cash Balances, January 1</b>	<u>335,930</u>	<u>-</u>	<u>335,930</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 373,351</u>	<u>\$ 50</u>	<u>\$ 373,401</u>

See notes to financial statements.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 26,524	\$ -	\$ -	\$ 26,524
Intergovernmental Receipts	19,732	40,192	-	59,924
Charges for Services	1,640	-	-	1,640
Fines, Licenses, and Permits	127,125	-	-	127,125
Earnings on Investments	70	-	-	70
Miscellaneous	1,608	-	-	1,608
<b>Total Cash Receipts</b>	<u>176,699</u>	<u>40,192</u>	<u>-</u>	<u>216,891</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	25,000	-	-	25,000
Public Health Services	2,304	-	-	2,304
Community Environment	17,870	-	-	17,870
Transportation	727	30,098	-	30,825
General Government	43,949	-	-	43,949
Capital Outlay	65,935	12,672	-	78,607
<b>Total Cash Disbursements</b>	<u>155,785</u>	<u>42,770</u>	<u>-</u>	<u>198,555</u>
<b>Total Receipts Over/(Under) Disbursements</b>	20,914	(2,578)	-	18,336
<b>Other Financing Receipts/(Disbursements)</b>				
Transfers - In	-	20,000	-	20,000
Transfers - Out	(40,000)	-	-	(40,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(40,000)</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
<b>Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(19,086)</u>	<u>17,422</u>	<u>-</u>	<u>(1,664)</u>
<b>Fund Cash Balances, January 1, 2013</b>	<u>71,474</u>	<u>28,623</u>	<u>581</u>	<u>100,678</u>
<b>Fund Cash Balances, December 31, 2013</b>				
Restricted	-	46,065	581	46,646
Unassigned (Deficit)	52,388	-	-	52,388
<b>Fund Cash Balances, December 31, 2013</b>	<u>\$ 52,388</u>	<u>\$ 46,045</u>	<u>\$ 581</u>	<u>\$ 99,014</u>

See notes to financial statements.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 637,663	\$ -	\$ 637,663
<b>Total Operating Cash Receipts</b>	<u>637,663</u>	<u>-</u>	<u>637,663</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	185,181	-	185,181
Travel	1,863	-	1,863
Contractual Services	352,663	-	352,663
Supplies and Materials	24,417	-	24,417
Capital Outlay	13,444	-	13,444
<b>Total Operating Cash Disbursements</b>	<u>577,568</u>	<u>-</u>	<u>577,568</u>
Operating Income/(Loss)	<u>60,095</u>	<u>-</u>	<u>60,095</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-operating Receipts	4,272	11,875	16,147
<b>Total Non-Operating Cash Receipts</b>	<u>4,272</u>	<u>11,875</u>	<u>16,147</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-operating Cash Disbursements	686	11,875	12,561
Debt Service-Principal	37,359	-	37,359
Debt Service-Interest	6,867	-	6,867
<b>Total Non-Operating Cash Disbursements</b>	<u>44,912</u>	<u>11,875</u>	<u>56,787</u>
<b>Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances</b>	<u>19,455</u>	<u>-</u>	<u>19,455</u>
<b>Transfer-In</b>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
<b>Net Receipts Over/(Under) Disbursements</b>	<u>39,455</u>	<u>-</u>	<u>39,455</u>
<b>Fund Cash Balances, January 1</b>	<u>296,475</u>	<u>-</u>	<u>296,475</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 335,930</u>	<u>\$ -</u>	<u>\$ 335,930</u>

See notes to financial statements.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**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 Lucas, Richland County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. 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 participates in joint ventures and a public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible

Joint Ventures:

The Village is in a joint venture in the Ohio Municipal Electric Generation Agency (OMEGAJV2) and (OMEGA JV5).

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 accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The basis 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Cash and Investments**

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

STAR Ohio is recorded at share values the mutual funds report.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

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

**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:

**Governmental Funds**

**General Fund**

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

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than form trusts or for capital projects) that are restricted to expenditures 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.

**Enterprise Funds**

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

**Water Fund** – This fund receives charges for services from residents to cover water service costs.

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

**Electric Fund** – This fund receives charges for services from residents to cover electric costs.

**Fiduciary Funds**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayors Court Fund - This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds collected in part on behalf of the State of Ohio.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**E. Budgetary Process**

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

**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.

**Estimated Resources**

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

**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 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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:

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

**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.

**Committed** – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless 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.

**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 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 ordinance, or by State Statute.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

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

**F. Fund Balance (Continued)**

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (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**

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

**H. Accumulated Leave**

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

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

The Village maintains a cash and investments 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:

	2014	2013
Demand Deposits	\$ 280,848	\$ 255,841
STAR Ohio	179,162	179,103
Total deposits and investments	\$ 460,010	\$ 434,944

**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, 2014 and 2013**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2014 and 2013 is as follows:

**2014 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 95,500	\$ 118,806	\$ 23,306
Special Revenue	59,100	38,414	(20,686)
Capital Projects	-	500	500
Enterprise	709,750	670,356	(39,394)
Total	<u>\$ 864,350</u>	<u>\$ 828,076</u>	<u>\$ (36,274)</u>

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 144,495	\$ 112,417	\$ 32,078
Special Revenue	93,215	57,708	35,507
Enterprise	890,293	632,935	257,358
Total	<u>\$ 1,128,003</u>	<u>\$ 803,060</u>	<u>\$ 324,943</u>

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 186,500	\$ 176,699	\$ (9,801)
Special Revenue	81,800	60,192	(21,608)
Enterprise	710,900	661,935	(48,965)
Total	<u>\$ 979,200</u>	<u>\$ 898,826</u>	<u>\$ (80,374)</u>

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 232,650	\$ 195,785	\$ 36,865
Special Revenue	85,815	42,770	43,045
Enterprise	852,942	622,480	230,462
Total	<u>\$ 1,171,407</u>	<u>\$ 861,035</u>	<u>\$ 310,372</u>

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by December 31. The second half payment is due the following June 20.

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, 2014 was as follows:

	2014	
	<u>Principal</u>	<u>%</u>
OWDA Water Treatment Plant	\$ 86,552	3.89
OPWC Waterline Extension	210,212	0.00
Water Loop Bonds	20,334	5.05
Sewer West Trunk Bonds	14,802	4.92
Total	<u>\$ 331,900</u>	

The Ohio Water Development Authority (OWDA) loan relates to upgrades to the water treatment plant. The OWDA approved up to \$110,000 in loans to the Village for this project, the Village borrowed \$104,518. The Village will repay the loan in semiannual installments of \$9,721 over 15 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to a waterline extension projects. The OPWC approved up to \$311,425 in loans to the Village for this project, the Village borrowed \$311,425. The Village will repay the loan in semiannual payments of \$7,786 over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Water Loop Bonds were issued in 2006 in the amount of \$56,500 to finance improvements to the water system. The bonds will be repaid over 10 years with annual payments of principal plus interest.

The Sewer West Trunk Bonds were issued in 2006 in the amount of \$84,500 to finance improvements in the sanitary sewer system. The bonds will be repaid over 10 years with semi-annual payments of principal plus interest.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**5. DEBT (Continued)**

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

Year	OWDA	OPWC	Water Bonds	Sewer Bonds
2015	\$ 9,721	\$ 15,571	\$ 7,219	\$ 10,800
2016	9,721	15,571	7,854	10,800
2017	9,721	15,571	-	-
2018	9,721	15,571	-	-
2019	9,721	15,571	-	-
2020-2024	48,605	77,856	-	-
2025-2029	9,721	54,451	-	-
Total	<u>\$ 106,931</u>	<u>\$ 210,212</u>	<u>\$ 15,073</u>	<u>\$ 21,600</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 447 kilowatts of a total 771,281 kilowatts, giving the Village a 0.06 percent share. The AMPGS Project required participant to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$77,810. The Village received a credit of \$10,747 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$20,216 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired costs estimate of \$46,847. AMP financed these costs on its revolving line of credit. Any additional costs (including line of credit interest and legal fees) or amounts received related to the project will impact the Village's payments. The Village made payments in 2014 totaling \$3,150 leaving a net impaired cost estimate of \$44,235 at December 31, 2014.

The Village intends to recover these costs and repay AMP over the next 14 years through a power cost adjustment.

**6. RETIREMENT SYSTEMS**

The Village's full-time employees and elected officials belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.00% of participant's gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses of the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013, respectively.

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.

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

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013 the latest information available.

	2012	2013
Assets	\$ 13,100,381	\$ 13,774,304
Liabilities	(6,687,193)	(7,968,395)
Retained Earnings	\$ 6,413,188	\$ 5,805,909

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**8. JOINT VENTURES**

**OMEGA JV2**

The Village of Lucas is a Financing Participant and an Owner Participant with percentages of liability and ownership of .15% and .12% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interest, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participant.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ration of 110% of the sum OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2014, the Village of Lucas has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participant's respective municipal electric utility system. The Project consists of 138.65MW of distributed generation of which 134.081MW is the participant's entitlement and 4.569MW are held in reserve. On dissolution of OKEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2014, the outstanding debt was \$11,938,283. The Village's net obligation for this amount at December 31, 2014 was \$17,907. The Village's net investment in OMEGA JV2 was \$23,723 at December 31, 2014. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**8. JOINT VENTURES (Continued)**

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2014 are:

Municipality	% Ownership	KW Entitlement	Municipality	% Ownership	KW Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradnor	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	100.00%	134,081

The Village's liability for the debt is disclosed below:

Years	Principal	Interest	Total Debt Service
2015	\$ 5,896	\$ 229	\$ 6,124
2016	5,971	153	6,124
2017	6,040	75	6,115
Total	<u>\$ 17,907</u>	<u>\$ 457</u>	<u>\$ 18,463</u>
Net Obligation	<u>\$ 17,907</u>		

**OMEGA JV5**

The Village of Lucas is a Financing Participant with an ownership percentage of .13%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interest, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**8. JOINT VENTURES (Continued)**

Also pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenue of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ration equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2014 Lucas has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain action including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000 which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from the funds held under the trust agreement securing the 2005 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal payments, the resulting note receivable has been reduced at December 31, 2014 to \$57,679,473. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$3,884 at December 31, 2014. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website [www.ohioauditor.gov](http://www.ohioauditor.gov).

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013**

**9. SEGMENT INFORMATION**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 8. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	2014	2013
Total Assets	\$ 303,706	\$ 254,246
Total Liabilities	17,907	23,654
Condensed Operating Information:		
Operating Receipts		
Charges for Services	467,069	451,894
Operating Expenses	421,361	437,251
Operating Income	45,708	14,643
Nonoperating Receipts		
Other Nonoperating Receipts	3,752	1,050
Other Nonoperating (Disbursements)	(-)	(561)
Change in Fund Cash Balance	49,460	15,132
Beginning Fund Cash Balance	254,246	239,114
Ending Fund Cash Balance	\$ 303,706	\$ 254,246

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

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

Village of Lucas  
Richland County  
101 First Avenue  
Lucas, Ohio 44843

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Lucas, Richland County as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 6, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Village of Lucas's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Village of Lucas'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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Wilson, Phillips & Agin, CPA's, Inc..***  
Zanesville, Ohio  
May 6, 2015

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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  
SEPTEMBER 3, 2015**