

**VILLAGE OF LUCAS**  
**RICHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004-2003**





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Lucas  
Lucas, Ohio

We have reviewed the *Independent Accountants' Report* of the Village of Lucas, Richland County, prepared by Knox & Knox CPAs, for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 4, 2005

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**VILLAGE OF LUCAS**  
**RICHLAND COUNTY**

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**Independent Accountants' Report**

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

We have audited the accompanying financial statements of the Village of Lucas, Richland County, Ohio, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Lucas, Richland County combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lucas, Richland County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2005, on our consideration of the Village of Lucas's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Knox & Knox*

Orrville, Ohio  
August 31, 2005



**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, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$10,257	\$	\$ 10,257
Intergovernmental Receipts	58,583	46,788	105,371
Fines, Licenses, and Permits	3,740		3,740
Earnings on Investments	3,946	432	4,378
Miscellaneous	<u>184</u>	<u>          </u>	<u>184</u>
Total Cash Receipts	<u>76,710</u>	<u>47,220</u>	<u>123,930</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	25,000		25,000
Community Environment	303		303
Transportation		46,126	46,126
General Government	<u>43,513</u>	<u>          </u>	<u>43,513</u>
Total Cash Disbursements	<u>68,816</u>	<u>46,126</u>	<u>114,942</u>
Total Receipts Over/(Under) Disbursements	<u>7,894</u>	<u>1,094</u>	<u>8,988</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers In		2,500	2,500
Transfers Out	<u>&lt;17,500&gt;</u>	<u>          </u>	<u>&lt;17,500&gt;</u>
Total Other Financing Receipts/Disbursements)	<u>&lt;17,500&gt;</u>	<u>2,500</u>	<u>&lt;15,000&gt;</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>&lt;9,606&gt;</u>	3,594	<u>&lt;6,012&gt;</u>
Fund Cash Balances, January 1	<u>39,651</u>	<u>55,924</u>	<u>95,575</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 30,045</b></u>	<u><b>\$59,518</b></u>	<u><b>\$ 89,563</b></u>

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes and Other Local Taxes	\$ 11,183	\$	\$ 11,183
Intergovernmental Receipts	73,718	43,207	116,925
Fines, Licenses and Permits	3,278		3,278
Earnings on Investments	3,476	317	3,793
Miscellaneous	<u>113</u>		<u>113</u>
Total Cash Receipts	<u>91,768</u>	<u>43,524</u>	<u>135,292</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	25,000		25,000
Community Environment	395		395
Transportation		40,756	40,756
General Government	<u>27,663</u>		<u>27,663</u>
Total Cash Disbursements	<u>53,058</u>	<u>40,756</u>	<u>93,814</u>
Total Receipts Over/(Under) Disbursements	<u>38,710</u>	<u>2,768</u>	<u>41,478</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		2,500	2,500
Transfers Out	<u>&lt;20,500&gt;</u>		<u>&lt;20,500&gt;</u>
Total Other Financing Receipts/Disbursements)	<u>&lt;20,500&gt;</u>	<u>2,500</u>	<u>&lt;18,000&gt;</u>
Excess of Cash Receipts and Other Financing Receipts Over(Under) Cash Disbursements and Other Financing Disbursements	18,210	5,268	23,478
Fund Cash Balances, January 1	<u>21,441</u>	<u>50,656</u>	<u>72,097</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 39,651</u>	<u>\$ 55,924</u>	<u>\$ 95,575</u>

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES – ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	<u>\$555,257</u>	\$ _____	<u>\$555,257</u>
Total Operating Cash Receipts	<u>555,257</u>	_____	<u>555,257</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	140,947		140,947
Travel Transportation	2,854		2,854
Contractual Services	291,287		291,287
Supplies and Materials	21,145		21,145
Capital Outlay	<u>32,344</u>	_____	<u>32,344</u>
Total Operating Cash Disbursements	<u>488,577</u>	_____	<u>488,577</u>
Operating Income/(Loss)	<u>66,680</u>	_____	<u>66,680</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		4,880	4,880
Total Non-Operating Cash Receipts	_____	<u>4,880</u>	<u>4,880</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Services	58,559		58,559
Other Non-Operating Cash Disbursements	_____	<u>4,880</u>	<u>4,880</u>
Total Non-Operating Cash Disbursements	<u>58,559</u>	<u>4,880</u>	<u>63,439</u>
Excess of Receipts Over/Under Disbursements Before Interfund Transfers and Advances	8,121		8,121
Transfers In	<u>15,000</u>	_____	<u>15,000</u>
Net Receipts Over/(Under) Disbursements	23,121		23,121
Fund Cash Balances, January 1	<u>375,188</u>	_____	<u>375,188</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$398,309</u></u>	<u><u>\$</u></u>	<u><u>\$398,309</u></u>

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES – ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$507,215	\$ _____	\$507,215
Total Operating Cash Receipts	<u>507,215</u>	<u>_____</u>	<u>507,215</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	155,011		155,011
Travel Transportation	2,417		2,417
Contractual Services	256,610		256,610
Supplies and Materials	18,102		18,102
Capital Outlay	<u>7,376</u>	<u>_____</u>	<u>7,376</u>
Total Operating Cash Disbursements	<u>439,516</u>	<u>_____</u>	<u>439,516</u>
Operating Income/(Loss)	<u>67,699</u>	<u>_____</u>	<u>67,699</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	<u>_____</u>	<u>3,888</u>	<u>3,888</u>
Total Non-Operating Cash Receipts	<u>_____</u>	<u>3,888</u>	<u>3,888</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Services	70,769		70,769
Other Non-Operating Cash Disbursements	<u>3,544</u>	<u>3,888</u>	<u>7,432</u>
Total Non-Operating Cash Disbursements	<u>74,313</u>	<u>3,888</u>	<u>78,201</u>
Excess of Receipts Over/Under Disbursements Before Interfund Transfers and Advances	<6,614>		<6,614>
Transfers In	<u>18,000</u>	<u>_____</u>	<u>18,000</u>
Net Receipts Over/(Under) Disbursements	11,386		11,386
Fund Cash Balances, January 1	<u>363,802</u>	<u>_____</u>	<u>363,802</u>
<b>Fund Cash Balances, December 31</b>	<u>\$375,188</u>	<u>\$ _____</u>	<u>\$375,188</u>

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Village of Lucas, Richland County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water, sewer and electric utilities. The Village contracts with the Richland County Sheriff's Department to provide security of persons and property.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

VILLAGE OF LUCAS  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

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

**D. Fund Accounting (continued)**

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

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

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

**3. Enterprise Funds**

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

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

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

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

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

**C. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**E. Budgetary Process (continued)**

**3. Encumbrances**

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

A summary of 2004 and 2003 budgetary activity appears in Note 3

**D. Property, Plant and Equipment**

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

**E. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$248,527	\$233,344
Certificates of deposit	<u>86,806</u>	<u>86,806</u>
Total deposits	\$335,333	\$320,150
 STAR Ohio	 <u>\$152,539</u>	 <u>\$150,613</u>
Total deposits and investments	<u>\$487,872</u>	<u>\$470,763</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, 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, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 90,885	\$ 76,710	<\$14,175>
Special Revenue	47,735	49,720	1,985
Enterprise	<u>523,125</u>	<u>570,251</u>	<u>47,132</u>
Total	<u>\$661,745</u>	<u>\$696,687</u>	<u>\$34,942</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,149	\$ 86,316	\$28,833
Special Revenue	65,700	46,126	19,574
Enterprise	<u>579,417</u>	<u>547,136</u>	<u>32,281</u>
Total	<u>\$760,266</u>	<u>\$679,578</u>	<u>\$80,688</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,948	\$ 91,768	<\$ 40,180>
Special Revenue	101,010	46,024	< 54,986>
Enterprise	<u>892,851</u>	<u>525,215</u>	< 367,636>
Total	<u>\$1,125,809</u>	<u>\$663,007</u>	<u>&lt;\$462,802&gt;</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,415	\$ 73,558	\$30,857
Special Revenue	52,660	40,756	11,904
Enterprise	<u>566,200</u>	<u>513,829</u>	<u>52,371</u>
Total	<u>\$723,275</u>	<u>\$628,143</u>	<u>\$95,132</u>



VILLAGE OF LUCAS  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)

4. **PROPERTY TAX**

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

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

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

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

5. **DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$155,272	7.65%
Sanitary Sewer Improvement Notes	11,830	4.52%
Water System Improvement Bonds	<u>40,000</u>	6.10%
Total	<u>\$207,102</u>	

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

The Sanitary Sewer Improvement Note was issued in 2001 in the amount of \$29,575 to refinance higher interest rate debt obtained by the Village to finance the construction of a disinfection system at the sewer plant. The loan is collateralized by water and sewer receipts. The Village makes semi-annual payments that vary based on the amount of interest due.

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

**VILLAGE OF LUCAS  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT (Continued)**

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

	<u>OWDA Loan</u>	<u>Sanitary Sewer Improvement Notes</u>	<u>Water System Improvement Bonds</u>
Year ending December 31:			
2005	\$ 29,586	\$ 6,383	\$12,565
2006	29,586	6,116	16,935
2007	29,586		15,975
2008	29,586		
2009	29,586		
2010-2012	<u>59,172</u>	_____	_____
Total	<u>\$207,102</u>	<u>\$12,499</u>	<u>\$45,475</u>

**6. RETIREMENT SYSTEM**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS).

OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Village has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

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

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

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

VILLAGE OF LUCAS  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)

8. JOINT VENTURES

OMEGA JV 1, OMEGA JV 2, AND OMEGA JV 5

The Village's electric enterprise fund has entered into an ongoing joint venture agreement with Ohio Municipal Electric Systems to form the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2 and 5 (OMEGA JV 1, OMEGA JV 2, and OMEGA JV 5) for the purposes of providing electric power and energy to its participants on a cooperative basis. Title to the six diesel-powered generating units in OMEGA JV 1, title to the thirty-seven generating units in OMEGA JV 2, and title to the hydroelectric project in OMEGA JV 5 located at the existing Belleville Lock was transferred to the municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a membership organization comprised of communities throughout Ohio, West Virginia, and Pennsylvania that own and operate electric systems. Each participant has a contract, which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. Financial information regarding OMEGA JV1, OMEGA JV 2, and OMEGA JV 5 can be obtained from AMP-Ohio, 2600 Airport Dr., Columbus, Ohio 43219.

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

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

We have audited the accompanying financial statements of the Village of Lucas, Richland County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 31, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village of Lucas's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Lucas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Knox & Knox

Orrville, Ohio  
August 31, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
NOVEMBER 17, 2005**