



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LUCKEY
WOOD COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Luckey, Wood County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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 such 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 opinions.

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

As described in Note 2 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 of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably 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 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 the Village as of December 31, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village, as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, 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. 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.



Keith Faber
Auditor of State

Columbus, Ohio

November 30, 2020

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Village of Luckey
Wood County
*Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$54,436	\$25,568		\$80,004
Municipal Income Tax	267,330			267,330
Intergovernmental	9,680	66,772		76,452
Special Assessments		14,058		14,058
Charges for Services	73,008			73,008
Fines, Licenses and Permits	14,183			14,183
Earnings on Investments	152	15		167
Miscellaneous	11,799			11,799
<i>Total Cash Receipts</i>	<u>430,588</u>	<u>106,413</u>		<u>537,001</u>
Cash Disbursements				
Current:				
Security of Persons and Property	86,774	41,096		127,870
Leisure Time Activities	11,126			11,126
Community Environment	65,332			65,332
Basic Utility Services	87,354			87,354
Transportation		36,975		36,975
General Government	77,568			77,568
Capital Outlay		5,940	\$57,565	63,505
Debt Service:				
Principal Retirement		4,125		4,125
<i>Total Cash Disbursements</i>	<u>328,154</u>	<u>88,136</u>	<u>57,565</u>	<u>473,855</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>102,434</u>	<u>18,277</u>	<u>(57,565)</u>	<u>63,146</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			22,500	22,500
Transfers In			53,466	53,466
Transfers Out	(53,466)			(53,466)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(53,466)</u>		<u>75,966</u>	<u>22,500</u>
<i>Net Change in Fund Cash Balances</i>	48,968	18,277	18,401	85,646
<i>Fund Cash Balances, January 1</i>	<u>433,033</u>	<u>190,378</u>	<u>158,066</u>	<u>781,477</u>
Fund Cash Balances, December 31				
Restricted		208,655	22,500	231,155
Committed			153,967	153,967
Assigned	173,830			173,830
Unassigned	308,171			308,171
<i>Fund Cash Balances, December 31</i>	<u>\$482,001</u>	<u>\$208,655</u>	<u>\$176,467</u>	<u>\$867,123</u>

See accompanying notes to the financial statements

Village of Luckey
Wood County
*Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)*
Proprietary Fund Type
For the Year Ended December 31, 2019

	Enterprise
Operating Cash Receipts	
Charges for Services	\$238,064
Operating Cash Disbursements	
Personal Services	13,178
Employee Fringe Benefits	3,179
Contractual Services	20,725
Supplies and Materials	17,017
<i>Total Operating Cash Disbursements</i>	54,099
<i>Operating Income</i>	183,965
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	374
Principal Retirement	(51,600)
Interest and Other Fiscal Charges	(96,504)
<i>Total Non-Operating Receipts (Disbursements)</i>	(147,730)
<i>Net Change in Fund Cash Balances</i>	36,235
<i>Fund Cash Balances, January 1</i>	753,377
<i>Fund Cash Balances, December 31</i>	\$789,612

See accompanying notes to the financial statements

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Luckey (the Village), Wood County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, sewer and refuse utilities, park operations, and police services. Village residents are provided fire protection services by Troy Township.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund The Street Construction, Maintenance, and Repair Fund accounts for and reports that portion of the state gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Fund The Police Fund accounts for and reports levy monies and related intergovernmental revenues that are restricted for police services within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted or committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

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

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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 Operating Fund The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Debt Retirement 2 Fund The Sewer Debt Retirement 2 Fund receives a portion of charge for services from residents and businesses to cover the retirement of the USDA Rural Development Loan.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund 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. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

Capital Assets

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

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.

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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* 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.

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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$308,239	\$430,588	\$122,349
Special Revenue	67,552	106,413	38,861
Capital Projects	42,000	75,966	33,966
Enterprise	190,000	238,438	48,438
Total	\$607,791	\$851,405	\$243,614

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$422,320	\$381,620	\$40,700
Special Revenue	127,525	88,136	39,389
Capital Projects	85,000	57,565	27,435
Enterprise	226,286	202,203	24,083
Total	<u>\$861,131</u>	<u>\$729,524</u>	<u>\$131,607</u>

Note 4 - Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and cash on hand at December 31, 2019 was as follows:

	2019
Demand deposits	\$1,656,725
Cash on hand	10
Total deposits and cash on hand	<u>\$1,656,735</u>

The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 - Taxes

Property Taxes

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.

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

Income Taxes

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 certain income of residents earned outside of the Village.

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.

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM's property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$15,920,504
Liabilities	(11,329,011)
Members' Equity	<u>\$ 4,591,493</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 9 - Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2007 OPWC Loan	\$120,000	0.00%
2008 USDA Rural Development Loan	2,121,100	4.375-4.5%
2012 OPWC Gilbert Road Loan	<u>4,124</u>	0.00%
Total	<u><u>\$2,245,224</u></u>	

The 2007 Ohio Public Works Commission (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 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 a debt service reserve fund, included as an Enterprise Fund. The balance in the fund at December 31, 2019 is \$132,500.

The 2012 OPWC Gilbert Road Construction Loan was obtained to repave and repair Gilbert Road. This is to be paid out of the Street Construction, Maintenance, and Repair Fund.

Amortization

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

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Year Ending December 31:	2007 OPWC Loan	2008 USDA Rural Development	2012 OPWC Loan
2020	\$16,000	\$131,911	\$4,124
2021	16,000	132,055	
2022	16,000	132,019	
2023	16,000	132,007	
2024	16,000	132,015	
2025-2029	40,000	660,083	
2030-2034		659,918	
2035-2039		661,050	
2040-2044		661,069	
2045-2048		527,964	
Total	\$120,000	\$3,830,091	\$4,124

Note 10 - Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 - Compliance

Contrary to Ohio law, the Fiscal Officer incorrectly posted proceeds from the sale of capital assets to the incorrect fund.

Village of Luckey
Wood County
*Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$50,995	\$25,723		\$76,718
Municipal Income Tax	255,408			255,408
Intergovernmental	11,924	58,233		70,157
Special Assessments		14,135		14,135
Charges for Services	63,758			63,758
Fines, Licenses and Permits	8,389			8,389
Earnings on Investments	140	14		154
Miscellaneous	8,381			8,381
<i>Total Cash Receipts</i>	<u>398,995</u>	<u>98,105</u>		<u>497,100</u>
Cash Disbursements				
Current:				
Security of Persons and Property	71,724	35,931		107,655
Leisure Time Activities	9,815			9,815
Community Environment	61,094			61,094
Basic Utility Services	85,111			85,111
Transportation		27,194		27,194
General Government	77,995			77,995
Capital Outlay		4,668	\$7,649	12,317
Debt Service:				
Principal Retirement		4,125		4,125
<i>Total Cash Disbursements</i>	<u>305,739</u>	<u>71,918</u>	<u>7,649</u>	<u>385,306</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>93,256</u>	<u>26,187</u>	<u>(7,649)</u>	<u>111,794</u>
Other Financing Receipts (Disbursements)				
Transfers In			51,081	51,081
Transfers Out	(51,081)			(51,081)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,081)</u>		<u>51,081</u>	
<i>Net Change in Fund Cash Balances</i>	42,175	26,187	43,432	111,794
<i>Fund Cash Balances, January 1</i>	<u>390,858</u>	<u>164,191</u>	<u>114,634</u>	<u>669,683</u>
Fund Cash Balances, December 31				
Restricted		190,378		190,378
Committed			158,066	158,066
Assigned	114,081			114,081
Unassigned	318,952			318,952
<i>Fund Cash Balances, December 31</i>	<u>\$433,033</u>	<u>\$190,378</u>	<u>\$158,066</u>	<u>\$781,477</u>

See accompanying notes to the financial statements

Village of Luckey
Wood County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	Enterprise
Operating Cash Receipts	
Charges for Services	\$226,486
Operating Cash Disbursements	
Personal Services	14,157
Employee Fringe Benefits	2,841
Contractual Services	25,154
Supplies and Materials	20,309
<i>Total Operating Cash Disbursements</i>	62,461
<i>Operating Income</i>	164,025
Non-Operating Receipts (Disbursements)	
Special Assessments	2,813
Principal Retirement	(49,900)
Interest and Other Fiscal Charges	(98,020)
<i>Total Non-Operating Receipts (Disbursements)</i>	(145,107)
<i>Net Change in Fund Cash Balances</i>	18,918
<i>Fund Cash Balances, January 1</i>	734,459
<i>Fund Cash Balances, December 31</i>	\$753,377

See accompanying notes to the financial statements

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Luckey (the Village), Wood County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, sewer and refuse utilities, park operations, and police services. Village residents are provided fire protection services by Troy Township.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

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The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund The Street Construction, Maintenance, and Repair Fund accounts for and reports that portion of the state gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Fund The Police Fund accounts for and reports levy monies and related intergovernmental revenues that are restricted for police services within the Village.

Capital Project Funds These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

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

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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 Operating Fund The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Debt Retirement 2 Fund The Sewer Debt Retirement 2 Fund receives a portion of charge for services from residents and businesses to cover the retirement of the USDA Rural Development Loan.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund 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. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

Capital Assets

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

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.

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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* 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.

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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$294,633	\$398,995	\$104,362
Special Revenue	70,340	98,105	27,765
Capital Projects	32,800	51,081	18,281
Enterprise	180,000	229,299	49,299
Total	\$577,773	\$777,480	\$199,707

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$417,320	\$356,820	\$60,500
Special Revenue	130,525	71,918	58,607
Capital Projects	85,000	7,649	77,351
Enterprise	223,102	210,381	12,721
Total	<u>\$855,947</u>	<u>\$646,768</u>	<u>\$209,179</u>

Note 4 - Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and cash on hand at December 31, 2018 was as follows:

	<u>2018</u>
Demand deposits	<u>\$1,534,844</u>
Cash on hand	<u>10</u>
Total deposits and cash on hand	<u>\$1,534,854</u>

The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 - Taxes

Property Taxes

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.

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

Income Taxes

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 certain income of residents earned outside of the Village.

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.

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 6 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM's property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 - Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2007 OPWC Loan	\$136,000	0.00%
2008 USDA Rural Development Loan	2,156,700	4.375-4.5%
2012 OPWC Gilbert Road Loan	<u>8,249</u>	0.00%
Total	<u><u>\$2,300,949</u></u>	

The 2007 Ohio Public Works Commission (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 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 a debt service reserve fund, included as an Enterprise Fund. The balance in the fund at December 31, 2018 is \$132,500.

The 2012 OPWC Gilbert Road Construction Loan was obtained to repave and repair Gilbert Road. This is to be paid out of the Street Construction, Maintenance, and Repair Fund.

Amortization

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

Village of Luckey
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Year Ending December 31:	2007 OPWC Loan	2008 USDA Rural Development	2012 OPWC Loan
2019	\$16,000	\$132,104	\$4,125
2020	16,000	131,911	4,124
2021	16,000	132,055	
2022	16,000	132,019	
2023	16,000	132,007	
2024-2028	56,000	659,993	
2029-2033		660,077	
2034-2038		660,999	
2039-2043		660,016	
2044-2048		661,013	
Total	\$136,000	\$3,962,194	\$8,249

Note 10 - Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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(419) 245-2811 or (800) 443-9276
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Luckey, Wood County, Ohio, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated November 30, 2020 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 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 of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 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 financial statement. However, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 30, 2020

VILLAGE OF LUCKEY
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2019-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2019 were identified:

- Capital Projects Fund Type restricted fund balance in the amount of \$153,967 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Enterprise Fund Type budgeted receipts, actual receipts, appropriation authority, and budgetary expenditures in the amounts of \$160,000, \$183,852, \$148,104, and \$148,104, respectively, were improperly classified as Debt Service Fund Type budgeted receipts, actual receipts, appropriation authority, and budgetary expenditures in the Budgetary Activity note to the financial statements.

Also identified were the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018:

- Capital Projects Fund Type restricted fund balance in the amount of \$158,066 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Enterprise Fund Type budgeted receipts, actual receipts, appropriation authority, and budgetary expenditures in the amounts of \$150,000, \$179,476, \$147,920, and \$147,920, respectively, were improperly classified as Debt Service Fund Type budgeted receipts, actual receipts, appropriation authority, and budgetary expenditures in the Budgetary Activity note to the financial statements.

These errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2019 and 2018.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council to help identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54: <http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

FINDING NUMBER 2019-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more."

In 2019, the Village inappropriately recorded \$22,500 from the sale of a truck in the General Fund. Given the source of the revenue, this amount should have been recorded in the Other Capital Projects Fund. Audit adjustments are reflected in the financial statements, notes to the financial statements, and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

Officials' Response:

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material weakness for errors in financial reporting initially reported as Finding 2011-001.	Not corrected and reissued as Finding 2019-001 in this report.	The Village declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LUCKEY

WOOD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/15/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov