



Mary Taylor, CPA
Auditor of State

VILLAGE OF LUCKEY
WOOD COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Luckey, Wood County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Luckey, Wood County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General and Street Construction, Maintenance and Repair funds for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 19, 2007

**VILLAGE OF LUCKEY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of Luckey financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$8,826 or 2 percent. The increase was not significant. The primary reason for the increase is that the Village Council delayed street repairs due to the upcoming sewer project.
- The Village's general receipts are primarily property and income taxes. These receipts represent, respectively, 18 and 41 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 changed very little compared to 2004.
- The Sewer operation, the Village's lone business-type decreased \$6,999 or 5 percent. The realized decrease was due to planning costs for the new sewer project the Village is starting.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental and the business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has one business-type activity, the provision of sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's has two major governmental funds. The first is the General Fund and the second is the Street Construction, Maintenance and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has one enterprise fund, the sewer fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Cash and Cash Equivalent:	<u>\$447,410</u>	<u>\$438,584</u>	<u>\$126,015</u>	<u>\$133,014</u>	<u>\$573,425</u>	<u>\$571,598</u>
Net Assets						
Restricted for:						
Capital Outlay	\$47,063	\$46,692			\$47,063	\$46,692
Other Purposes	147,771	110,582			147,771	110,582
Unrestricted	252,576	281,310	\$126,015	\$133,014	378,591	414,324
Total Net Assets	<u>\$447,410</u>	<u>\$438,584</u>	<u>\$126,015</u>	<u>\$133,014</u>	<u>\$573,425</u>	<u>\$571,598</u>

As mentioned previously, net assets of governmental activities increased \$8,826 or 2 percent during 2005. The primary reason contributing to the increases in cash balances are the Village Council delayed street repairs due to the upcoming sewer project.

As mentioned previously, net assets of the business-type activity decreased \$6,999 or 5 percent during 2005. The primary reason contributing to the decrease in cash balances is the Village paid planning costs for a new sewer project.

Table 2 reflects the changes in net assets 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of Village-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities <u>2005</u>	Business-Type Activities <u>2005</u>	Total <u>2005</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$54,697	\$78,940	\$133,637
Operating Grants and Contributions	54,549	62,908	117,457
Capital Grants and Contributions		24,687	24,687
Total Program Receipts	<u>109,246</u>	<u>166,535</u>	<u>275,781</u>
General Receipts:			
Property and Other Local Taxes			
General Purpose	44,452		44,452
Police	24,075		24,075
Income Taxes	151,695		151,695
Cable Franchise Fees	3,604		3,604
Grants and Entitlements Not Restricted to Specific Programs	23,876		23,876
Interest	2,929	1,263	4,192
Miscellaneous	11,002		11,002
Total General Receipts	<u>261,633</u>	<u>1,263</u>	<u>262,896</u>
Total Receipts	<u>370,879</u>	<u>167,798</u>	<u>538,677</u>
Disbursements:			
General Government	84,368		84,368
Security of Persons and Property:	73,449		73,449
Public Health Services	732		732
Leisure Time Activities	6,603		6,603
Community Environment	71,418		71,418
Basic Utilities	64,150		64,150
Transportation	23,409		23,409
Sewer Services		212,721	212,721
Total Disbursements	<u>324,129</u>	<u>212,721</u>	<u>536,850</u>
Excess (Deficiency) Before Transfers	46,750	(44,923)	1,827
Transfers	(37,924)	37,924	
Increase (Decrease) in Net Assets	<u>8,826</u>	<u>(6,999)</u>	<u>1,827</u>
Net Assets, January 1, 2005	438,584	133,014	571,598
Net Assets, December 31, 2005	<u>\$447,410</u>	<u>\$126,015</u>	<u>\$573,425</u>

**VILLAGE OF LUCKEY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Program receipts represent only 29 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax, charges for service and inspection fees.

General receipts represent 71 percent of the Village's total receipts, and of this amount, over 58 percent are income taxes and 26 percent are property and other local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (9 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the clerk-treasurer and income tax departments, and purchases of easements for the upcoming sewer project.

Security of Persons and Property are the costs of police; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; Community Environment is used to provide a safe and comfortable place to live for the residents; Basic Utilities cover the cost of street lighting and refuse service, and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are security of persons and property, community environment and basic utility services, which account for 23, 22 and 20 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 26 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$84,368	\$83,956
Security of Persons and Property	73,449	65,914
Public Health Services	732	732
Leisure Time Activities	6,603	6,603
Community Environment	71,418	71,418
Basic Utility Services	64,150	9,041
Transportation	23,409	(22,781)
Total Expenses	\$324,129	\$214,883

VILLAGE OF LUCKEY
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)

The dependence upon property and income tax receipts is apparent since over 66 percent of governmental activities are supported through these general receipts.

Business-type Activity

The sewer operation of the Village is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has secured funding to start a new sewer project in 2006.

The Village's Funds

Total governmental funds had receipts of \$370,879 and disbursements and other financing uses of \$362,053. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$28,734 as the result of increased costs for salaries and benefits and purchase of easement for sewer project.

General Fund receipts were less than disbursements and other financing uses by \$28,734 indicating that the General Fund is in a deficit spending situation. It was acknowledged by Council that the purchase of easements for the sewer project was the cause of the deficit and that there is no need to request additional funds from the taxpayers.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

During 2005, the Village did not amend its General Fund budget to reflect changing circumstances. Final budgeted receipts were the same as original budgeted receipts. The difference between final budgeted receipts and actual receipts was caused by an increase in income taxes and unrealized anticipated decrease in local government funding.

Final disbursements and other financing uses were budgeted at \$334,424 while actual disbursements and other financing uses were \$307,428. The Village overestimated the cost in obtaining easements for the sewer system.

Capital Assets and Debt Administration

Capital Assets

The Village diligently tracks, maintains and evaluates its capital assets and infrastructures.

Debt

At December 31, 2005, the Village outstanding debt is in the business-type activity \$290,780 for the sewer. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. The Village Council continues to be conservative in their spending practices.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Connie Heflin, Clerk-Treasurer, Village of Luckey, 226 Main St, P.O. Box 384, Luckey, Ohio 43443-0384.

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2005*

	Governmental Activities	Business - Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$447,410	\$126,015	\$573,425
 Net Assets			
Restricted for:			
Capital Projects	47,063		47,063
Other Purposes	147,771		147,771
Unrestricted	252,576	126,015	378,591
 <i>Total Net Assets</i>	<i>\$447,410</i>	<i>\$126,015</i>	<i>\$573,425</i>

See accompanying notes to the basic financial st

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities							
General Government	\$84,368	\$412			(\$83,956)		(\$83,956)
Security of Persons and Property	73,449	1,174	\$6,361		(65,914)		(65,914)
Public Health Services	732				(732)		(732)
Leisure Time Activities	6,603				(6,603)		(6,603)
Community Environment	71,418				(71,418)		(71,418)
Basic Utility Services	64,150	53,111	1,998		(9,041)		(9,041)
Transportation	23,409		46,190		22,781		22,781
<i>Total Governmental Activities</i>	324,129	54,697	54,549		(214,883)		(214,883)
Business Type Activity							
Sewer	212,721	78,940	62,908	\$24,687		(\$46,186)	(46,186)
Total	\$536,850	\$133,637	\$117,457	\$24,687	(214,883)	(46,186)	(261,069)
General Receipts							
Property Taxes Levied for:							
General Purposes					44,452		44,452
Police					24,075		24,075
Municipal Income Taxes					151,695		151,695
Cable Franchise Fees					3,604		3,604
Grants and Entitlements not Restricted to Specific Programs					23,876		23,876
Interest					2,929	1,263	4,192
Miscellaneous					11,002		11,002
<i>Total General Receipts</i>					261,633	1,263	262,896
Transfers					(37,924)	37,924	
Change in Net Assets					8,826	(6,999)	1,827
<i>Net Assets Beginning of Year</i>					438,584	133,014	571,598
<i>Net Assets End of Year</i>					<u>\$447,410</u>	<u>\$126,015</u>	<u>\$573,425</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$252,576	\$119,244	\$75,590	\$447,410
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	252,576			252,576
Special Revenue Funds		119,244	28,527	147,771
Capital Projects Funds			47,063	47,063
<i>Total Fund Balances</i>	<u>\$252,576</u>	<u>\$119,244</u>	<u>\$75,590</u>	<u>\$447,410</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal Income Taxes	\$151,695			\$151,695
Property and Other Local Taxes	44,452		\$24,075	68,527
Charges for Services	41,817			41,817
Fines, Licenses and Permits	5,190			5,190
Intergovernmental	22,535	\$39,120	15,494	77,149
Special Assessments			11,294	11,294
Interest	2,439	1,128	638	4,205
Miscellaneous	10,566		436	11,002
<i>Total Receipts</i>	<u>278,694</u>	<u>40,248</u>	<u>51,937</u>	<u>370,879</u>
Disbursements				
Current:				
General Government	84,368			84,368
Security of Persons and Property	53,002		20,447	73,449
Public Health Services	732			732
Leisure Time Activities	6,603			6,603
Community Environment	71,418			71,418
Basic Utility Services	53,381		10,769	64,150
Transportation		17,746	5,663	23,409
<i>Total Disbursements</i>	<u>269,504</u>	<u>17,746</u>	<u>36,879</u>	<u>324,129</u>
<i>Excess of Receipts Over Disbursements</i>	<u>9,190</u>	<u>22,502</u>	<u>15,058</u>	<u>46,750</u>
Other Financing Uses				
Transfers Out	(37,924)			(37,924)
<i>Net Change in Fund Balances</i>	(28,734)	22,502	15,058	8,826
<i>Fund Balances Beginning of Year</i>	<u>281,310</u>	<u>96,742</u>	<u>60,532</u>	<u>438,584</u>
<i>Fund Balances End of Year</i>	<u><u>\$252,576</u></u>	<u><u>\$119,244</u></u>	<u><u>\$75,590</u></u>	<u><u>\$447,410</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$139,000	\$139,000	\$151,695	\$12,695
Property and Other Local Taxes	50,014	50,014	44,452	(5,562)
Charges for Services	45,000	45,000	41,817	(3,183)
Fines, Licenses and Permits	1,800	1,800	5,190	3,390
Intergovernmental	9,978	9,978	22,535	12,557
Interest			2,439	2,439
Miscellaneous	10,000	10,000	10,566	566
<i>Total Receipts</i>	<u>255,792</u>	<u>255,792</u>	<u>278,694</u>	<u>22,902</u>
Disbursements				
Current:				
General Government	98,224	98,224	84,368	13,856
Security of Persons and Property	48,200	57,700	53,002	4,698
Public Health Services	1,000	1,000	732	268
Leisure Time Activities	9,000	7,000	6,603	397
Community Environment	78,000	70,500	71,418	(918)
Basic Utility Services	45,000	55,000	53,381	1,619
<i>Total Disbursements</i>	<u>279,424</u>	<u>289,424</u>	<u>269,504</u>	<u>19,920</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,632)</u>	<u>(33,632)</u>	<u>9,190</u>	<u>42,822</u>
Other Financing Uses				
Transfers Out	(45,000)	(45,000)	(37,924)	7,076
<i>Net Change in Fund Balance</i>	<u>(68,632)</u>	<u>(78,632)</u>	<u>(28,734)</u>	<u>49,898</u>
<i>Fund Balance Beginning of Year</i>	<u>281,310</u>	<u>281,310</u>	<u>281,310</u>	<u></u>
<i>Fund Balance End of Year</i>	<u>\$212,678</u>	<u>\$202,678</u>	<u>\$252,576</u>	<u>\$49,898</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	15,000	15,000	39,120	24,120
Interest			1,128	1,128
<i>Total receipts</i>	15,000	15,000	40,248	25,248
Disbursements				
Current:				
Transportation	42,000	42,000	17,746	24,254
<i>Net Change in Fund Balance</i>	(27,000)	(27,000)	22,502	49,502
<i>Fund Balance Beginning of Year</i>	96,742	96,742	96,742	
<i>Fund Balance End of Year</i>	\$69,742	\$69,742	\$119,244	\$49,502

See accompanying notes to the basic financial statements

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
December 31, 2005*

	<u>Business-Type Activity</u>
	<u>Sewer Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$126,015</u></u>
Net Assets	
Unrestricted	<u><u>\$126,015</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Fund
For the Year Ended December 31, 2005*

	<u>Business-Type Activity</u>
	<u>Sewer</u>
Operating Receipts	
Charges for Services	\$67,544
Other Operating Receipts	11,396
	<u>78,940</u>
<i>Total Operating Receipts</i>	<u>78,940</u>
Operating Disbursements	
Personal Services	16,711
Contractual Services	84,309
Materials and Supplies	34,368
	<u>135,388</u>
<i>Total Operating Disbursements</i>	<u>135,388</u>
<i>Operating Loss</i>	(56,448)
Non-Operating Receipts (Disbursements)	
Intergovernmental	24,687
Special Assessments	62,908
Interest	1,263
Capital Outlay	(23,523)
Principal Payments	(31,267)
Interest and Fiscal Charges	(22,543)
	<u>(44,923)</u>
<i>Loss before Transfers</i>	(44,923)
Transfers In	37,924
	<u>37,924</u>
<i>Change in Net Assets</i>	(6,999)
<i>Net Assets Beginning of Year</i>	<u>133,014</u>
<i>Net Assets End of Year</i>	<u><u>\$126,015</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF LUCKEY
WOOD COUNTY**

*Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2005*

	Business-Type Activity
	Sewer Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$67,544
Other Cash Receipts	11,396
Cash Payments to Employees for Services	(16,711)
Cash Payments for Goods and Services	(118,677)
<i>Net Cash Provided by (Used in) Operating Activities</i>	(56,448)
Cash Flows from Noncapital Financing Activities	
Transfers In	37,924
Cash Flows from Capital and Related Financing Activities	
Nonoperating Grants	24,687
Special Assessments	62,908
Principal Paid on Debt	(31,267)
Interest Paid on Debt	(22,543)
Payments for Capital Acquisitions	(23,523)
Net Cash provided by Noncapital Financing Activities	10,262
Cash Flows from Investing Activities	
Interest on Investments	1,263
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(6,999)
<i>Cash and Cash Equivalents Beginning of Year</i>	133,014
<i>Cash and Cash Equivalents End of Year</i>	\$126,015

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

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1- REPORTING ENTITY

The Village of Luckey, 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provided general government services, sewer utilities, maintenance of Village roads, park operations, and police services.

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

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United State of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 20, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grant and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions for non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories: governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has two major governmental funds. They are:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for 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.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Street Construction Maintenance and Repair Fund – The Street Construction, Maintenance and Repair Fund receives gasoline tax money and motor vehicle registration and is used to pay for constructing, maintaining and repairing the Village's roads.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Villages major enterprise fund is the sewer fund.

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

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated recourses, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increasing tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and set limits on cash disbursements at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for the fund that covered the entire year. The amounts reported as the final budgeted amounts represent the final appropriation amount passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are present on the financial statements as cash equivalents.

During 2005, the Village invested in nonnegotiable certificates of deposits. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Village funds according to state statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$2,439. None of the interest was assigned from other Village funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of capital assets are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contribution include portions for pension benefits and for post-retirement health care benefits.

K. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Inter-fund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayments are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. There are no adjustments to beginning fund balance since the basis of accounting has not changed.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4- ACCOUNTABILITY AND COMPLIANCE

Compliance

The Village Clerk-Treasurer did not certify the availability of funds as required by Ohio law.

NOTE 5- BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budgetary Basis presented for the general fund and street construction, maintenance and repair fund were prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no differences between the modified cash basis of accounting and budgetary basis, since the Village did not use the encumbrance method of accounting.

NOTE 6- DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or with drawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates or deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6- DEPOSITS AND INVESTMENTS – (CONTINUED)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including but not limited to, The Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$378,061 of the Village's bank balance of \$578,061 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 – INCOME TAXES

The Village levies a 1% income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city of ½ percent of 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually payment is due on December 31; if paid semiannually, the payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is current assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital asset and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for the Village Operations for the year ended December 31, 2005, was \$6.5 per \$1,000 of assessed value. The assessed value of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – PROPERTY TAXES – (CONTINUED)

Real Property	
Residential	\$13,551,720
Agriculture	430
Commercial/Industrial	849,780
Tangible Personal Property	
General Personal	182,399
Public Utility	220,680
Total Assessed Value	<u><u>\$14,805,009</u></u>

NOTE 9- RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9- RISK MANAGEMENT – (CONTINUED)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

NOTE 10- DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employee Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contribution vest over five years at 20 percent per year). Under the member directed plan members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plan. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-46422 or by calling (614) 222-6705 or (800)-222-2377.

For the year ending December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contribution.

The Village's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2005, 2004, and 2003, were \$14,272, \$13,247, and \$12,699 respectively. The full amount has been contributed for 2005, 2004, and 2003.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10- DEFINED BENEFIT PENSION PLAN – (CONTINUED)

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP& F), a cost sharing multiple-employer defined benefit pension plan. OP & F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligation while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the fund for the years ended December 31, 2005, 2004, 2003, were \$6,456, \$6,281, and \$6,004. The full amount has been contributed for 2005, 2004, and 2003.

NOTE 11- POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investments assets annually.

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11- POST-EMPLOYMENT BENEFITS – (CONTINUED)

The number of active contributing participants in the traditional and combined plans was \$376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$6,716. The actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability and unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the fund of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The Total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund post-employment benefits were \$1,324 for police. The OP& F's total health care expense for the year ended December 31, 2005, was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was \$13,922 for police.

NOTE 12-DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance 1/1/05	Reductions	Balance 12/31/05	Due within One Year
Business-type Activities					
1987 OWDA Loan (original loan \$625,003)	7.11%	\$322,047	\$31,267	\$290,780	\$16,745

**VILLAGE OF LUCKEY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12-DEBT – (CONTINUED)

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The Loan will be repaid in semiannual installments of \$27,082, including interest, over 25 years. The Loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has obtained an Ohio Water Development Pre-construction Loan in the amount of \$250,000. As of December 31, 2005, the Village has drawn down \$177,898 towards the engineering cost to date. The loan is repayable over a 5 year period of time if the Village does not proceed with the sewer line project, but provided the Village proceeds with the project the amount used will be rolled into the Construction Loan. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Year	OWDA Loan	
	Principal	Interest
2006	\$16,745	\$10,337
2007	34,680	19,483
2008	37,146	17,018
2009	39,787	14,377
2010	42,616	11,548
2011 - 2013	119,806	15,606
TOTAL	\$290,780	\$88,369

NOTE 13- INTERFUND TRANSFERS

During 2006, a transfer was made from the General Fund to the Sewer Fund in the amount of \$37,924. Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 14-CONTIGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refund would be immaterial.

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Luckey, Wood County (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 19, 2007, in which we disclosed the Village prepares its financial statements on the modified cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated July 19, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated July 19, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 19, 2007

VILLAGE OF LUCKEY
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Ohio Revised Code §5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For ninety-seven percent of the transactions tested, proper prior certification was not obtained nor was a then and now certificate utilized because the certification signed by the Clerk-Treasurer did not include the amount being certified. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Board. Also, the Board did not establish the amounts for the blanket certificates issued, as required by law.

**FINDING NUMBER 2005-001
(Continued)**

To improve controls over disbursements, it is recommended that all Village non-payroll disbursements receive prior certification of the fiscal officer and the amount of the certification be completed on the purchase order. When prior certification is not possible, a Then and Now Certificate should be executed. In addition we recommend the Village Council set a limit for blanket purchase orders.

Officials Response:

The Village has implemented the UAN accounting system in July 2007 which will assist the Clerk-Treasurer in improving compliance.

FINDING NUMBER 2005-002

Significant Deficiency - Financial Reporting Controls

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Clerk-Treasurer performs most of the accounting functions. It is therefore important that Council monitor financial activity closely. The following deficiencies were noted in the monitoring of the financial activity by the Council:

- Estimated receipts were not included on the receipt ledgers of the Village.
- The minutes did not include documentation of monthly financial reports being presented or reviewed.
- Financial reporting presented to Council was limited to the beginning balance, total receipts, total disbursements and ending balance by fund. Included at the end of this report was a fund reconciliation with the bank.
- No indication was noted if a review by Council or a representative of Council reviewed the Clerk-Treasurer's bank account to book reconciliation.

Sound financial reporting is the responsibility of the Clerk-Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Village is a small entity which does not lend itself to employ individuals to segregate duties. Strong monitoring controls will assist the Village Council and management by mitigating the absence of the segregation of duties. We recommend monitoring controls be reviewed and increased. Procedures should include, but are not limited to:

- Posting estimated receipts to the receipt ledgers and provide a report comparing estimated receipts with actual receipts to Council. This would aid Council in the decision making process to take action if revenues are not coming in as expected.
- Document Council's review of the financial reports in the minutes.
- Reports presented to Council should provide receipt and disbursement in account detail matching the appropriation measure detail to assist Council in their decision making.
- Council or their designee should review bank account reconciliations including verification of bank balances and reconciling items with the bank statements and books of the Village.

Officials Response:

The Village has implemented the UAN accounting system in July 2007 which will assist the Clerk-Treasurer in providing meaningful reports to Village Council and management.



Mary Taylor, CPA
Auditor of State

VILLAGE OF LUCKEY

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 16, 2007**