



Mary Taylor, CPA
Auditor of State

VILLAGE OF LOCKINGTON
SHELBY COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Lockington
Shelby County
647 Cross Trail
Piqua, Ohio 45356

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 19, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lockington
Shelby County
647 Cross Trail
Piqua, Ohio 45356

To the Village Council:

We have audited the accompanying financial statements of the Village of Lockington, Shelby County, (the Village), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Lockington, Shelby County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2009, 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.

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

May 19, 2009

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$1,951	\$1,446		\$3,397
Intergovernmental	15,958	7,490		23,448
Special Assessments		2,137		2,137
Fines, Licenses and Permits	675			675
Earnings on Investments	28	17		45
Total Cash Receipts	<u>18,612</u>	<u>11,090</u>		<u>29,702</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	8,639			8,639
Public Health Services	371			371
Leisure Time Activities		1,567		1,567
Basic Utility Service		2,551		2,551
Transportation		2,927		2,927
General Government	14,986	161		15,147
Debt Service:				
Redemption of Principal			\$1,886	1,886
Total Cash Disbursements	<u>23,996</u>	<u>7,206</u>	<u>1,886</u>	<u>33,088</u>
Total Receipts Over/(Under) Disbursements	<u>(5,384)</u>	<u>3,884</u>	<u>(1,886)</u>	<u>(3,386)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			1,886	1,886
Transfers-Out	(1,886)			(1,886)
Advances-In		1,400		1,400
Advances-Out	(1,400)			(1,400)
Total Other Financing Receipts / (Disbursements)	<u>(3,286)</u>	<u>1,400</u>	<u>1,886</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,670)	5,284		(3,386)
Fund Cash Balances, January 1	<u>28,701</u>	<u>17,873</u>		<u>46,574</u>
Fund Cash Balances, December 31	<u><u>\$20,031</u></u>	<u><u>\$23,157</u></u>	<u><u>\$0</u></u>	<u><u>\$43,188</u></u>

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

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$2,026	\$1,500		\$3,526
Intergovernmental	16,383	7,359		23,742
Special Assessments		1,936		1,936
Fines, Licenses and Permits	100			100
Earnings on Investments	163	55		218
Miscellaneous	8			8
Total Cash Receipts	<u>18,680</u>	<u>10,850</u>		<u>29,530</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	6,600			6,600
Leisure Time Activities		1,920		1,920
Basic Utility Service		2,531		2,531
Transportation		1,571		1,571
General Government	10,483	125		10,608
Debt Service:				
Redemption of Principal			\$1,886	1,886
Capital Outlay	1,103			1,103
Total Cash Disbursements	<u>18,186</u>	<u>6,147</u>	<u>1,886</u>	<u>26,219</u>
Total Receipts Over/(Under) Disbursements	<u>494</u>	<u>4,703</u>	<u>(1,886)</u>	<u>3,311</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			1,886	1,886
Transfers-Out	(1,886)			(1,886)
Total Other Financing Receipts / (Disbursements)	<u>(1,886)</u>		<u>1,886</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,392)	4,703		3,311
Fund Cash Balances, January 1	<u>30,093</u>	<u>13,170</u>		<u>43,263</u>
Fund Cash Balances, December 31	<u>\$28,701</u>	<u>\$17,873</u>	<u>\$0</u>	<u>\$46,574</u>

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

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lockington, Shelby County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park operations, police services, and general government services. The Village contracts with the Lockington Volunteer Fire Association to receive fire protection services.

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

B. Accounting Basis

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

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

C. Deposits

The Village maintains an interest-bearing checking account and a savings account which are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Park Fund – This fund receives levy proceeds to fund maintenance of the park.

VILLAGE OF LOCKINGTON
SHELBY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

OWDA Debt Service Fund – This fund receives transfers from the General Fund to service the Ohio Water Development Authority debt.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$43,188</u>	<u>\$46,574</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,054	\$18,612	\$1,558
Special Revenue	11,475	12,490	1,015
Debt Service	1,886	1,886	
Total	<u>\$30,415</u>	<u>\$32,988</u>	<u>\$2,573</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,033	\$27,282	\$21,751
Special Revenue	24,645	7,206	17,439
Debt Service		1,886	(1,886)
Total	<u>\$73,678</u>	<u>\$36,374</u>	<u>\$37,304</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,183	\$18,680	\$4,497
Special Revenue	8,185	10,850	2,665
Debt Service	1,886	1,886	
Total	<u>\$24,254</u>	<u>\$31,416</u>	<u>\$7,162</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,666	\$20,072	\$25,594
Special Revenue	19,791	6,147	13,644
Debt Service	1,886	1,886	
Total	<u>\$67,343</u>	<u>\$28,105</u>	<u>\$39,238</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Debt Service fund by \$1,886 for the year ended December 31, 2008. Also contrary to Ohio law, appropriations exceeded estimated resources in the General fund by \$3,278 for the year ended December 31, 2008.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. PROPERTY TAX (Continued)

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

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

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

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	<u>\$9,430</u>	0%

The Ohio Water Development Authority (OWDA) loan relates to a plan to construct a wastewater line the Ohio Environmental Protection Agency mandated. The total loan for the project was \$18,860, which was received in 2003 and 2004. The loan will be repaid in annual installments over 10 years at 0 percent interest.

Amortization of the above debt is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
2009	\$1,886
2010	1,886
2011	1,886
2012	1,886
2013	1,886
Total	<u>\$9,430</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5 percent, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles.



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 Lockington
Shelby County
647 Cross Trail
Piqua, Ohio 45356

To the Village Council:

We have audited the financial statements of the Village of Lockington, Shelby County, (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 19, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-001 is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated May 19, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-003 through 2008-005.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated May 19, 2009.

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



Mary Taylor, CPA
Auditor of State

May 19, 2009

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Material Weakness - Financial Statement Preparation

The financial statements presented by the Village were not accurately presented for 2007 or 2008. The Auditor of State regulatory basis financial statements were prepared for audit; however, various significant and insignificant errors and omissions were noted in the amounts presented on the cash basis statements. The Village did not use the prescribed financial statement form for manual clients provided by the Auditor of State. The Village's combining statements did not roll forward accurately to the combined statement, and the Village's 2007 ending cash balances did not agree to the 2008 beginning cash balances. In addition, the cash journal, receipt ledger, and appropriation ledgers were not accurate and did not inter-balance.

The underlying result of the various errors in posting was that the fund cash balances per the financial statements did not agree to the cash journal fund balances. For 2008, the financial statement total fund balances of \$41,660 was understated by \$1,528 or 3.5 percent when compared to the audited total fund balances of \$43,188. For 2007, the financial statement total fund balances of \$37,518 were understated by \$9,056 or 19.4 percent when compared to the audited fund balances of \$46,574. The audited balances agreed reasonably to the cash journal total fund balance, indicating that the financial statements had not been reconciled with the cash journal after preparation.

The accompanying financial statements have been adjusted to correct the various errors. The financial information presented to the Village Council is used to make financial decisions and monitor budgetary compliance. In order for sound financial decisions to be made, all financial information must be accurate.

In order to provide assurance financial information is accurate all information should be posted to the appropriate supporting ledgers timely. The Village should review the Auditor of State's Village chart of accounts to determine the proper classification of all revenues and expenditures. The cash journal should be reconciled to the receipt ledger and appropriation ledger monthly to ensure all information is accurately reported. Fund balances on the annual report should be reconciled to the bank balance and the cash journal balance.

Officials' Response:

The officials chose not to respond to this comment.

FINDING NUMBER 2008-002

Significant Deficiency - Trust Fund Classification

To help assure the proper presentation and disclosure of fund activity, funds should be classified according to the reporting requirements of governmental accounting. Governmental accounting requires funds with a trust agreement and principal that cannot be spent to be classified as either a permanent fund or a private purpose fund. If there is a trust agreement and both the principal and income can be spent, the fund should be classified as either a special revenue fund or a private purpose trust fund depending of whether or not the money is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. Absent a trust agreement, contributions with a restricted purpose should be classified as a special revenue fund.

A fund was classified as a non expendable trust fund; however, there was no trust agreement that specified how the principal was to be maintained or used. As a result, this fund should be classified as a special revenue fund. The accompanying financial statements have been adjusted to correctly classify this fund. The impact on the fund type balances at December 31 was as follows:

<u>2008</u>	<u>Fund Type</u>	<u>Amount</u>	<u>2007</u>	<u>Fund Type</u>	<u>Amount</u>
	Special Revenue	\$324		Special Revenue	\$324
	Non Expendable	(324)		Non Expendable	(324)

Legal Counsel should be contacted for assistance in locating the trust agreement. This fund should be classified in future financial statements according to the guidance provided by the Village Legal Counsel.

Officials' Response:

The officials chose not to respond to this comment.

FINDING NUMBER 2008-003

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Rev. Code Section 5705.39 states, in pertinent part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission.

For 2008, the following fund had appropriations in excess of estimated resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$45,755	\$49,033	(\$3,278)

Failure to determine that appropriations are within estimated resources could lead to deficit spending and deficit fund balances.

The appropriation ledger should be monitored by Village officials or by an appointed committee to periodically verify that appropriations are within total estimated resources.

Officials' Response:

The officials chose not to respond to this comment.

FINDING NUMBER 2008-004

Noncompliance – Expenditures in Excess of Appropriations

Ohio Rev Code, Section 5705.41 (B) states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

The following fund had expenditures in excess of appropriations for 2008:

	Fund	Total Appropriations	Total Expenditures	Variance
	Debt Service Fund	\$0	\$1,886	(\$1,886)

The failure to monitor appropriations versus expenditures could result in expenditures exceeding available resources and possibly result in deficit spending.

The appropriations ledger should be periodically reviewed to determine if the expenditures are within appropriations at the legal level of control. If they are not, then amendments should be made to increase appropriations if there are sufficient resources.

Officials’ Response:

The officials chose not to respond to this comment.

FINDING NUMBER 2008-005

Noncompliance – Certification of Availability of Funds

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

FINDING NUMBER 2008-005
(Continued)

2. **Blanket certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current 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 one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for approximately 97 percent of expenditures in 2008 and 2007, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds could result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Village’s Fiscal Officer certify that the funds are available prior to the obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials’ Response:

The officials chose not to respond to this comment.

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code 5705.41(D): Failure to properly certify the availability of funds prior to entering into purchase obligations	No	Repeated as Finding Number 2008-005
2006-002	Ohio Rev. Code 5705.36(A)(2): Obtaining amended certificates	Improved	Reported in a separate letter to management of the Village
2006-003	Ohio Rev. Code 5705.39: Appropriations exceed estimated resources	No	Repeated as Finding Number 2008-003
2006-004	Ohio Rev. Code 5705.41(B): Expenditures exceed appropriations	No	Repeated as Finding Number 2008-004
2006-005	Financial Statement Preparation	No	Repeated as Finding Number 2008-001
2006-006	Trust Fund Classification		Repeated as Finding Number 2008-002



Mary Taylor, CPA
Auditor of State

VILLAGE OF LOCKINGTON

SHELBY 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
JUNE 16, 2009**