



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Lockbourne  
Franklin County  
85 Commerce Street  
P.O. Box 95  
Lockbourne, Ohio 43137

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

December 4, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Lockbourne  
Franklin County  
85 Commerce Street  
P.O. Box 95  
Lockbourne, Ohio 43137

To the Village Council:

We have audited the accompanying financial statements of Village of Lockbourne, Franklin County, Ohio (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.

Except as discussed in the following paragraph, 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were not able to obtain sufficient competent evidence to support the completeness of income tax receipts (58% and 42% of General Fund 2008 and 2007 receipts respectively) nor were we able to satisfy ourselves by other auditing procedures.

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 require 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 or cash flows, where applicable for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding the income tax receipts, noted in paragraph three above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Village of Lockbourne, Franklin County, Ohio 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 December 4, 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.



**Mary Taylor, CPA**  
Auditor of State

December 4, 2009



**VILLAGE OF LOCKBOURNE  
FRANKLIN 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 6,293	\$ -	\$ 6,293
Municipal Income Tax	90,446	-	90,446
Fines, Licenses and Permits	2,297	-	2,297
Intergovernmental	49,475	12,373	61,848
Earnings on Investments	4,458	2,784	7,242
Miscellaneous	1,687	-	1,687
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	154,656	15,157	169,813
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	780	-	780
Leisure Time Activities	14,366	-	14,366
Community Environment	1,663	-	1,663
Basic Utility Services	9,453	-	9,453
Transportation	-	8,968	8,968
General Government	85,962	-	85,962
Debt Service:			
Principal Payment	-	4,840	4,840
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	112,224	13,808	126,032
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	42,432	1,349	43,781
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	201,425	138,976	340,401
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 243,857</u></b>	<b><u>\$ 140,325</u></b>	<b><u>\$ 384,182</u></b>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$ 231	\$ -	\$ 231
	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 26,723
Total Operating Cash Receipts	26,723
<b>Operating Cash Disbursements:</b>	
Contractual Services	2,851
Total Operating Cash Disbursements	2,851
Operating Income	23,872
<b>Non-Operating Cash Receipts:</b>	
Special Assesments	6,988
Total Non-Operating Cash Receipts	6,988
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	20,794
Interest and Other Fiscal Charges	20,937
Total Non-Operating Cash Disbursements	41,731
Excess of Receipts Under Disbursements	(10,871)
Fund Cash Balances, January 1	94,949
<b>Fund Cash Balances, December 31</b>	<b>\$ 84,078</b>

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

**VILLAGE OF LOCKBOURNE  
FRANKLIN 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 9,264	\$ -	\$ 9,264
Municipal Income Tax	55,595	-	55,595
Fines, Licenses and Permits	1,859	-	1,859
Intergovernmental	52,028	13,265	65,293
Earnings on Investments	11,117	4,488	15,605
Miscellaneous	1,646	-	1,646
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	131,509	17,753	149,262
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	1,321	-	1,321
Leisure Time Activities	10,400	-	10,400
Community Environment	749	-	749
Basic Utility Services	15,438	-	15,438
Transportation	-	5,098	5,098
General Government	59,367	-	59,367
Debt Service:			
Principal Payment	-	4,840	4,840
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	87,275	9,938	97,213
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	44,234	7,815	52,049
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	157,191	131,161	288,352
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 201,425</u></b>	<b><u>\$ 138,976</u></b>	<b><u>\$ 340,401</u></b>

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

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 28,304
Total Operating Cash Receipts	28,304
<b>Operating Cash Disbursements:</b>	
Contractual Services	2,141
Other	3,390
Total Operating Cash Disbursements	5,531
Operating Income	22,773
<b>Non-Operating Cash Receipts:</b>	
Special Assesments	7,245
Total Non-Operating Cash Receipts	7,245
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	18,670
Interest and Other Fiscal Charges	22,999
Total Non-Operating Cash Disbursements	41,669
Excess of Receipts Under Disbursements	(11,651)
Fund Cash Balances, January 1	106,600
<b>Fund Cash Balances, December 31</b>	<b>\$ 94,949</b>

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

**VILLAGE OF LOCKBOURNE  
FRANKLIN 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 Lockbourne, Franklin County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, water and sewer utilities (basic utility services), and park operations (leisure time activities). The Village contracts with the Franklin County Sheriff's department to provide security of persons and property.

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

**B. 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 and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village had no investments in 2008 and 2007.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. Enterprise Funds**

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

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

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

**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, function, or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

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.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

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

**2. Equity in Pooled Cash**

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

	2008	2007
Demand deposits	\$468,260	\$435,350

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

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

**2008 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,960	\$154,656	\$76,696
Special Revenue	18,750	15,157	(3,593)
Enterprise	43,500	33,711	(9,789)
Total	\$140,210	\$203,524	\$63,314

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,650	\$112,455	\$68,195
Special Revenue	63,800	13,808	49,992
Enterprise	66,200	44,582	21,618
Total	\$310,650	\$170,845	\$139,805

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,213	\$131,509	\$55,296
Special Revenue	25,570	17,753	(7,817)
Enterprise	44,496	35,549	(8,947)
Total	\$146,279	\$184,811	\$38,532

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$181,742	\$87,275	\$94,467
Special Revenue	79,686	9,938	69,748
Enterprise	76,126	47,200	28,926
Total	\$337,554	\$144,413	\$193,141

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

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

**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.

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. Local Income Tax**

On October 5, 1994, the Village adopted Ordinance 28-94 imposing a municipal income tax of one percent. The Village collected income tax of \$90,446 in 2008 and \$55,595 in 2007.

The Village does not have any procedures in place for consistent and complete collections of income tax. In 2008 and 2007, income tax collections were received from various employers and residents, in addition to various electric, light, and telecommunication companies through the State of Ohio Department of Taxation. Starting in 2009 the Village has contracted with the Regional Income Tax Agency (R.I.T.A) to commence tax collections for both residents and companies within the Village.

**6. Debt**

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 1003/1686	\$50,775	8.05%
Ohio Water Development Authority Loan 5037/3072	\$159,970	6.87%
Ohio Water Development Authority Loan 6012/3086	\$99,846	5.90%
Ohio Public Works Commission Loan CT07F	<u>66,076</u>	0.00%
Total	<u>\$376,667</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer project. The Village will repay the loans in semiannual installments over 25 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to the Mechanics Street Reconstruction Project. The loan will be repaid in semi-annual installments over 20 years. After the project was completed in 2006, the Village started making payments on the loan upon the receipt of the final amortization schedule.



**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

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

**6. Debt (Continued)**

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

Year ending December 31:	OWDA Loan 1003/1686	OWDA Loan 5037/3072	OWDA Loan 6012/3086	OPWC Loan CT07F
2009	\$11,000	\$19,488	\$11,844	\$4,895
2010	\$11,000	19,488	11,844	\$4,895
2011	\$11,000	19,488	11,844	\$4,895
2012	\$11,000	19,488	11,844	\$4,895
2013	\$11,000	19,488	11,844	\$4,895
2014-2018	\$10,999	97,438	59,220	24,473
2019-2022		48,719	23,688	17,128
Total	<u>\$65,999</u>	<u>\$243,597</u>	<u>\$142,128</u>	<u>\$66,076</u>

The OPWC debt covenant between the Village of Lockbourne and the Ohio Public Works Commission (OPWC) requires the Village to maintain insurance for the project and that any such insurance policy shall be written or endorsed to the OSGCIC (Ohio Small Government Capital Improvement Commission). Although the Village maintained liability insurance in 2008 and 2007, there was no evidence that OSGCIC was named in the policy. Also the OWDA debt covenants required the Village to submit to the OWDA annual reports of the operation and income of the system together with an annual report of the accounts and operations of the system and that OWDA shall be made an additional insured under such policy. In 2008 and 2007, the Village did not file the required annual reports with the OWDA, and although the Village did maintain liability insurance, OWDA was not named as an additional insured party under the policy.

**7. 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 plans 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%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

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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 Lockbourne  
Franklin County  
85 Commerce Street  
P.O. Box 95  
Lockbourne, Ohio 43137

To the Village Council:

We have audited the financial statements of the Village of Lockbourne, Franklin County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated December 4, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We qualified our report on the General Fund for lack of sufficient evidence to support the completeness of income tax receipts. Except as discussed in the preceding sentence, 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 through 2008-006 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.

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 numbers 2008-001 through 2008-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 4, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2008-001 through 2008-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 4, 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

December 4, 2009

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-001**

**Transfers – Noncompliance Finding / Material Weakness**

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides that interfund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Att’y Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds.) In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

The Fiscal Officer made a one time transfer of \$11,342 in fiscal year 2008 from the General Fund to the Sewer fund without the required Board approval. Due to lack of Council approval the resulting transfer is unallowable and was reversed by an audit adjustment on the Village’s financial statements and accounting records (See Finding 2008-006).

We recommend all transfers of funds be authorized by resolution of the Village Council in accordance with applicable statutory requirements, prior to transfer of such funds by the Fiscal Officer.

**FINDING NUMBER 2008-002**

**Interest Allocation – Noncompliance Finding / Material Weakness**

Ohio Const. Art. XII, Section 5a and 1982 Op. Atty Gen. No. 82-031 require that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

\$2,784 of Interest earned in 2008 on permissive motor vehicle and fuel tax receipts was improperly credited to the General Fund. The \$2,784 should have been posted as follows:

<u>Fund</u>	<u>Amount</u>
Street Maintenance and Repair	\$2,587
Permissive Motor Vehicle License Tax	<u>197</u>
Total	\$2,784

The Village’s financial statements and accounting records have been adjusted to properly post these revenues to the correct funds (See Finding 2008-006).

We recommend interest revenue to be allocated in accordance with applicable statutory requirements on a monthly basis.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-003**

**OWDA and OPWC Debt Covenants – Noncompliance Finding / Material Weakness**

Section 4.3(b) of the Cooperative Agreement for Construction, Maintenance, and Operation of State Sewer Project and Section 3.2(b) of the Cooperative Agreement for State Planning Project between the Village of Lockbourne and the Ohio Water Development Authority (OWDA) require the Village to submit to the OWDA annual reports of the operation and income of the system together with an annual report of the accounts and operations of the system.

Section 5.6 of the Cooperative Agreement for Construction, Maintenance, and Operation of State Sewer Project requires the Village to maintain public liability insurance for the utility and that OWDA shall be made an additional insured under such policy.

Article 5.4 of Appendix C-1 to the Ohio Small Government Capital Improvement Program Project Agreement between the Village of Lockbourne and the Ohio Public Works Commission (OPWC) requires the Village to maintain insurance for the project and that any such insurance policy shall be written or endorsed as to make losses, if any, payable to the OSGCIC (Ohio Small Government Capital Improvements Commission) and the Recipient (the Village) as their interests may appear.

In 2008 and 2007, the Village did not file the required annual reports with the OWDA. Also although the Village did maintain liability insurance, OWDA and OSGCIC were not named as additional insured parties under the policy.

We recommend the Village carefully review its debt agreements to ensure the Village is following all requirements of such agreements. Failure to follow requirements outlined in the agreements may jeopardize the Village's ability to obtain or maintain project financing, and may subject the Village to an immediate calling of the outstanding debt.

**FINDING NUMBER 2008-004**

**Village Income Tax – Noncompliance Finding / Material Weakness**

On October 5, 1994, the Village Council passed Ordinance No. 28-94 effectively imposing an income tax of one percent for the Village. The Ordinance states, in part, a one percent (1%) income tax is hereby imposed and further that the attached Exhibit A is incorporated herein by this reference as if fully rewritten herein verbatim.

During 2007 and 2008 the Village collected \$55,595 and \$90,446 of income tax from various electric, light, and telecommunication companies' business income through the State of Ohio Department of Taxation in addition to sporadic collections from residents or employers within the Village.

Due to the lack of sufficient evidence to support the completeness of income tax receipts, we qualified our opinion on the General Fund income tax receipts.

The Village does not have any procedures in place for consistent and complete collections of income tax including tax forms, collection procedures, receipt or non-payment information or tallies, or auditing or monitoring procedures. As a result, the Village cannot demonstrate that it is in compliance with the aforementioned Ordinance and that all revenue has been correctly receipted and recorded.

We recommend the Village establish the appropriate collection procedures to ensure the Village is collecting taxes due the Village or consider abolishing the tax if it will not be enforced and collected.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-005**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer of the Village and the Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the Village's financial statements and, where applicable, to the Village's accounting records:

1. For 2008, adjustment of interest revenue from the General Fund to Street Construction Maintenance and Repair and Motor Vehicle License Tax funds for \$2,587 and \$197 respectively due to non-compliance with Ohio Constitution provisions (See Finding 2008-002).
2. For 2008, removal of an unapproved illegal transfer of \$11,342 from General Fund to the Sewer Fund (See Finding 2008-001).
3. For 2008, adjustment of charge for service revenue from the Sewer Fund to the Water Fund for \$3,318.
4. For 2007 and 2008, reclassification of revenues among property tax, income tax, intergovernmental, and special assessment line items and the General, Sewer, Street Construction Maintenance and Repair, and Motor Vehicle License Tax funds for \$55,681 and \$8,173 respectively.
5. For 2007 and 2008, reclassification of interest expenditures to principal expenditures for \$576 and \$824 respectively in the Sewer Fund.
6. For 2007, reclassification of debt payment in the General Fund for \$2,420 from Transportation to Principal Payment expenditures.
7. For 2007, adjustment of beginning fund balance for \$2,447 in the Street Construction Maintenance and Repair Fund due to client adjustment of current year activity against the beginning balance of the fund.
8. For 2007, adjustment of beginning balance in the General, Street Construction Maintenance and Repair, and Permissive Motor Vehicle License Tax funds for (\$2,544), \$2,440, and \$104 respectively, due to prior interest adjustments not posted to the beginning fund balance.

The following audit reclassifications were immaterial to the overall financial statements of the Village and were not posted to the financial statements.

1. For 2008, reclassification of a reconciling item interest revenue for \$124 in the General Fund.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

We recommend the Village develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increases the reliability of the financial data throughout the year. Such procedures may include review of the financial ledgers and financial statements by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-006**

**Board Monitoring – Significant Deficiency**

Implementing internal controls is an important responsibility of management. In addition, the Council must periodically monitor management's control procedures to verify they are functioning effectively. To serve as informed overseers of the financial reporting process, the Council members, at minimum, should periodically convene to perform the following functions:

- Review monthly financial reports (including BVA information)
- Review bill lists
- Review monthly reconciliations
- Review the financial statements
- Assure that audit results are addressed

Council failed to approve the monitoring of financial information in the minutes of the Village Council. Additionally, Council did not receive reports of any type, except bill lists, for 2008 until the month of October. Bank to book reconciliations were not reviewed by Council throughout 2007 or 2008. By failing to review and signify receipt and review of monthly reports and reconciliations errors and irregularities could occur and not be detected in a timely manner.

It is vital that there is Board oversight in an entity that lacks segregation of duties as all accounting functions of the Village are controlled by one individual. We recommend the Board meet receive and review the financial activity of the Village at least monthly and document their review in the minute record.

Officials' Response: We did not receive any Official response for any of the above findings.



**VILLAGE OF LOCKBOURNE  
FRANKLIN 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; <b><i>Explain</i></b>
2006-001	The Village did not post interest to the proper funds.	No	See Finding number 2008-002
2006-002	The Village did not issue 1099 forms to any of the independent contractors.	Yes	
2006-003	The Village did follow all debt covenants with OPWC.	No	See Finding number 2008-003
2006-004	The Village did follow all debt covenants with OWDA.	No	See Finding number 2008-003
2006-005	The Village did not have any procedures in place for consistent and complete collections of income tax.	No	See Finding number 2008-004
2006-006	The Village had differences and reclassifications that were not posted to the financial statements or Village accounting records.	No	See Finding number 2008-005





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF LOCKBOURNE**

**FRANKLIN 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  
JANUARY 12, 2010**