



**Auditor of State  
Betty Montgomery**



VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2004.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2003.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Auditor of State  
Betty Montgomery**

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 22, 2005

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Auditor of State  
Betty Montgomery**

**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 the Village of Lockbourne, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2004, and December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements.

The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004, 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year 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 Lockbourne, Franklin County, Ohio, as of December 31, 2004, and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 22, 2005, 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.



**Betty Montgomery**  
Auditor of State

December 22, 2005



**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, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$14,148	\$0	\$14,148
Intergovernmental Receipts	52,750	22,532	75,282
Fines, Licenses, and Permits	2,008	0	2,008
Earnings on Investments	2,224	1,390	3,614
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	71,130	23,922	95,052
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Leisure Time Activities	11,921	0	11,921
Community Environment	800	0	800
Basic Utility Services	10,706	0	10,706
Transportation	0	11,200	11,200
General Government	31,115	0	31,115
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	54,542	11,200	65,742
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	16,588	12,722	29,310
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	174,422	109,017	283,439
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$191,010</b>	<b>\$121,739</b>	<b>\$312,749</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*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 BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$46,894
<b>Operating Cash Disbursements:</b>	
Contractual Services	141,294
Other	232
Total Operating Cash Disbursements	141,526
Operating Income	(94,632)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	80,134
Loan Proceeds	57,526
Special Assessments	10,952
Total Non-Operating Cash Receipts	148,612
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	15,259
Interest and Other Fiscal Charges	26,250
Total Non-Operating Cash Disbursements	41,509
Excess of Receipts Over Disbursements	12,471
Fund Cash Balance, January 1	104,389
<b>Fund Cash Balance, December 31</b>	<b>\$116,860</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, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$8,299	\$0	\$8,299
Intergovernmental Receipts	50,767	22,394	73,161
Fines, Licenses, and Permits	4,196	0	4,196
Earnings on Investments	3,353	0	3,353
Miscellaneous	1,410	0	1,410
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	68,025	22,394	90,419
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Leisure Time Activities	8,435	0	8,435
Community Environment	800	0	800
Basic Utility Services	10,156	0	10,156
Transportation	0	6,968	6,968
General Government	48,573	0	48,573
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	67,964	6,968	74,932
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	61	15,426	15,487
Fund Cash Balances, January 1 (Restated, See Note 3)	174,361	93,591	267,952
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$174,422</u></b>	<b><u>\$109,017</u></b>	<b><u>\$283,439</u></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 BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$27,268</u>
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>202,775</u>
Operating Income	<u>(175,507)</u>
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	200,405
Special Assessments	<u>6,913</u>
Total Non-Operating Cash Receipts	<u>207,318</u>
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	14,268
Interest and Other Fiscal Charges	<u>27,629</u>
Total Non-Operating Cash Disbursements	<u>41,897</u>
Excess of Receipts Over Disbursements	(10,086)
Fund Cash Balance, January 1 (Restated - See Note 3)	<u>114,475</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$104,389</u></u></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, 2004 AND 2003**

**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, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, water and sewer utilities, 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. Basis of Accounting**

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village had no investments in 2004 and 2003.

**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 (other than from 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 license tax for constructing, maintaining, and repairing Village streets.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(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. 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2004 and 2003 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, 2004 AND 2003  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	<u>2004</u>	<u>2003</u>
Deposits	\$429,609	\$387,828

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**3. RESTATEMENT OF FUND BALANCE**

During 2001 and 2002, the Village posted Enterprise Fund special assessment receipts as General Fund property tax receipts. During 2003, the Village made fund balance adjustments to correct these mis-postings to the General Fund and Enterprise Fund. Additionally, the Village made an adjustment to the General Fund beginning fund balance due to long-outstanding checks that were voided. These fund balance adjustments had the following effect on beginning fund balances:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Fund Balances, December 31, 2002	\$ 194,405	\$ 94,408	\$ 288,813
Special Assessments	(20,067)	20,067	-
Outstanding Checks	23	-	23
Restated Fund Balance, January 1, 2003	\$ 174,361	\$ 114,475	\$ 288,836

**4. BUDGETARY ACTIVITY**

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

**2004 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,521	\$71,130	\$10,609
Special Revenue	39,243	23,922	(15,321)
Enterprise	49,131	195,506	146,375
Total	\$148,895	\$290,558	\$141,663

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$136,400	\$54,542	\$81,858
Special Revenue	86,000	11,200	74,800
Enterprise	89,500	183,035	(93,535)
Total	\$311,900	\$248,777	\$63,123

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

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

**4. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,714	\$68,025	\$311
Special Revenue	38,100	22,394	(15,706)
Enterprise	47,700	234,586	186,886
Total	\$153,514	\$325,005	\$171,491

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$142,650	\$67,964	\$74,686
Special Revenue	67,000	6,968	60,032
Enterprise	76,800	244,672	(167,872)
Total	\$286,450	\$319,604	(\$33,154)

Expenditures exceeded appropriations in the Enterprise fund type as a result of the Village not budgeting for Ohio Public Works Commission payments made directly to contractors.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**6. 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 \$95 in 2003 and \$5,371 in 2004. These amounts are included in Property Tax and Other Local Taxes on the accompanying financial statements.

The Village has not implemented procedures to consistently and completely collect income taxes. In 2003 and 2004, income tax collections were limited to receipts from various electric, light, and telecommunication companies, and from a paving contractor.



**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

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

**7. DEBT**

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 1003 / 1686	\$73,644	8.05%
Ohio Water Development Authority Loan 5037 / 3072	188,839	6.87%
Ohio Water Development Authority Loan 6012 / 3086	120,522	5.90%
Ohio Public Works Commission Loan CT07F	57,526	0.00%
Total	<u>\$440,531</u>	

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer projects. The loans will be repaid in semi-annual installments, including interest, over 25 years. The loans are collateralized by water and sewer receipts.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan 1003 / 1686</u>	<u>OWDA Loan 5037 / 3072</u>	<u>OWDA Loan 6012 / 3086</u>
2005	\$10,227	\$19,488	\$11,844
2006	10,280	19,488	11,844
2007	10,337	19,488	11,844
2008	10,400	19,488	11,844
2009	10,467	19,488	11,844
2010-2014	53,546	97,440	59,220
2015-2019	0	97,440	59,220
2020-2024	0	29,232	11,844
Total	<u>\$105,257</u>	<u>\$321,552</u>	<u>\$189,504</u>

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. The loan is collateralized by water and sewer receipts. The project is not yet complete; therefore, the Village has not yet been provided a final amortization schedule nor begun repayment of the OPWC loan.

**8. 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 plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

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

**10. CONTINGENCY**

The Village has withheld final payment to the contractor of the Mechanics Street reconstruction project pending certain unresolved issues related to the contract.



**Auditor of State  
Betty Montgomery**

**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, 2004, and December 31, 2003, and have issued our report thereon dated December 22, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion 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 2004-001.

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 December 22, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **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 matter that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated December 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

December 22, 2005

VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003

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

Finding Number

2004-001

**Village Income Tax**

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 2003 the Village collected \$95 of income tax from various electric, light, and telecommunication companies' business income. During 2004, the Village collected \$5,371 which consisted of \$4,470 of income tax from various electric, light, and telecommunication companies' business income, plus an additional \$901 of income tax from paving companies. There were no collections from residents or employers within the Village.

The Village does not have any procedures in place for consistent and complete collections of income tax. As a result, the Village cannot demonstrate that it is in compliance with the aforementioned Ordinance.

We recommend the Village establish the appropriate collection procedures to ensure the Village is collecting taxes due the Village.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF 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  
FEBRUARY 9, 2006**