



**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**



**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.

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

**Mary Taylor, CPA**  
Auditor of State

August 10, 2007

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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 the Village of Lockbourne, Franklin County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005. 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.

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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 the Village 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, 2006 and 2005 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, 2006 and December 31, 2005, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of the Village of Lockbourne, Franklin County, Ohio as of December 31, 2006 and December 31, 2005, 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 August 10, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 10, 2007

**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, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 16,375	\$ -	\$ 16,375
Intergovernmental Receipts	52,260	15,125	67,385
Fines, Licenses, and Permits	1,540	-	1,540
Earnings on Investments	9,994	3,998	13,992
Miscellaneous	24	-	24
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	80,193	19,123	99,316
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	500	-	500
Leisure Time Activities	12,333	-	12,333
Community Environment	500	-	500
Basic Utility Services	11,780	-	11,780
Transportation	-	10,936	10,936
General Government	101,382	-	101,382
Debt Service:			
Principal Payments	-	4,867	4,867
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	126,495	15,803	142,298
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(46,302)	3,320	(42,982)
Fund Cash Balances, January 1	203,494	127,841	331,335
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 157,192</u></b>	<b><u>\$ 131,161</u></b>	<b><u>\$ 288,353</u></b>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$ 4,871	\$ 343	\$ 5,214
	<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 BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 27,538
<b>Operating Cash Disbursements:</b>	
Contractual Services	42,067
Other	2,252
	44,319
Total Operating Cash Disbursements	44,319
Operating Loss	(16,781)
<b>Non-Operating Cash Receipts:</b>	
Proceeds of Loan	39,263
Special Assessments	10,968
	50,231
Total Non-Operating Cash Receipts	50,231
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	17,454
Interest and Other Fiscal Charges	24,157
	41,611
Total Non-Operating Cash Disbursements	41,611
Net Receipts Under Disbursements	(8,161)
Fund Cash Balances, January 1	114,761
<b>Fund Cash Balances, December 31</b>	<b>\$ 106,600</b>
Reserve for Encumbrances, December 31	\$ 263

*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, 2005**

	<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	\$ 13,956	\$ -	\$ 13,956
Intergovernmental Receipts	51,695	22,998	74,693
Fines, Licenses, and Permits	1,794	-	1,794
Earnings on Investments	4,874	3,005	7,879
Miscellaneous	2,445	-	2,445
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	74,764	26,003	100,767
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	250	-	250
Leisure Time Activities	9,878	-	9,878
Community Environment	890	-	890
Basic Utility Services	9,510	-	9,510
Transportation	-	19,901	19,901
General Government	41,752	-	41,752
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	62,280	19,901	82,181
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	12,484	6,102	18,586
Fund Cash Balances, January 1	191,010	121,739	312,749
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 203,494</b>	<b>\$ 127,841</b>	<b>\$ 331,335</b>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$ 11,996	\$ 2,418	\$ 14,414
	<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 BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 35,243
<b>Operating Cash Disbursements:</b>	
Contractual Services	3,129
Other	232
	3,361
Total Operating Cash Disbursements	3,361
Operating Income	31,882
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	7,629
	7,629
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	16,319
Interest and Other Fiscal Charges	25,291
	41,610
Total Non-Operating Cash Disbursements	41,610
Net Receipts Under Disbursements	(2,099)
Fund Cash Balances, January 1	116,860
<b>Fund Cash Balances, December 31</b>	<b>\$ 114,761</b>
Reserve for Encumbrances, December 31	\$ 617

*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, 2006 AND 2005**

**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, 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. Cash**

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 2006 and 2005.

**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:

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

**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 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 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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:

	2006	2005
Demand deposits	\$394,953	\$446,096

**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, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,988	\$80,193	\$10,205
Special Revenue	24,825	19,123	(5,702)
Enterprise	43,200	77,769	34,569
Total	\$138,013	\$177,085	\$39,072

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,996	\$131,366	\$56,630
Special Revenue	86,918	16,146	70,772
Enterprise	104,117	86,193	17,924
Total	\$379,031	\$233,705	\$145,326

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY PROCESS (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,694	\$74,764	\$13,070
Special Revenue	40,420	26,003	(14,417)
Enterprise	64,689	42,872	(21,817)
Total	\$166,803	\$143,639	(\$23,164)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$130,880	\$74,276	\$56,604
Special Revenue	86,000	22,319	63,681
Enterprise	67,000	45,588	21,412
Total	\$283,880	\$142,183	\$141,697

**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 \$ 8,019 in 2006 and \$ 5,428 in 2005. These amounts are included in Property Tax and Other Local Taxes on the accompanying financial statements.

The Village does not have any procedures in place for consistent and complete collections of income tax. In 2006 and 2005, income tax collections were limited to receipts from various electric, light, and telecommunication companies through the State of Ohio Department of Taxation. There were no collections from residents or employers within the Village.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 1003 / 1686	\$63,093	8.05%
Ohio Water Development Authority Loan 5037 / 3072	\$175,362	6.87%
Ohio Water Development Authority Loan 6012 / 3086	\$110,776	5.90%
Ohio Public Works Commission Loan CT07F	78,312	0.00%
Total	<u>\$427,543</u>	

The Ohio Water Development Authority (OWDA) loans relates to a water and sewer projects. 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 Township started making payments on the loan upon the receipt of the final amortization schedule.

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

Year ending December 31:	<u>OWDA Loan 1003 / 1686</u>	<u>OWDA Loan 5037 / 3072</u>	<u>OWDA Loan 6012 / 3086</u>	<u>OPWC Loan CT07F</u>
2007	\$10,337	\$19,488	\$11,844	\$4,895
2008	10,400	19,488	11,844	4,895
2009	10,467	19,488	11,844	4,895
2010	10,539	19,488	11,844	4,895
2011	10,618	19,488	11,844	4,895
2012-2016	32,389	97,438	59,220	24,475
2017-2021	0	87,694	47,377	24,475
2022-2025	0	0	0	2,447
Total	<u>\$84,750</u>	<u>\$282,572</u>	<u>\$165,817</u>	<u>\$75,872</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 Improvements Commission). Although the Village maintained liability insurance in 2006 and 2005, there was no evidence that OSGCIC was named in the policy. Also the OWDA debt covenants 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 and that OWDA shall be made an additional insured under such policy. In 2006 and 2005, 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.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RETIREMENT SYSTEM**

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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions



# 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, 2006 and December 31, 2005, and have issued our report thereon dated August 10, 2007 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 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 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 the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-006.

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. However, of the significant deficiencies described above, we believe finding numbers 2006-005 and 2006-006 also are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 10, 2007.

#### **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: 2006-001 through 2006-005.

We also noted certain instances of noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 10, 2007.

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

August 10, 2007

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001</b>
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**Interest Allocation – Noncompliance Finding/Significant Deficiency**

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

Ohio Rev. Code Section 135.21 states that all other investment earnings, except as provided in section 135.351 of the Revised Code and by resolution adopted pursuant to section 3315.01 or 3375.391 of the Revised Code, shall be credited to the general fund of the municipal corporation to which the principal sum there of belongs.

During fiscal year 2005, the Village did not post interest to the Street Construction and Maintenance Fund (2011) or the MVL Tax fund (2101) until November. Thus the Street Construction and Maintenance fund’s interest was understated by \$ 2,440 and the MVL tax fund’s interest was understated by \$104 and was adjusted from the General Fund.

<b>Finding Number</b>	<b>2006-002</b>
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**1099 Forms-Code of Federal Regulations – Noncompliance Finding/Significant Deficiency**

26 C.F.R. Section 1.6041-1 requires governments to report on Form 1099 all payments to independent contractors aggregating \$600 or more.

The Village made payments to independent contractors in 2005 for landscaping (\$1,000), council services (\$2,329), blacktop paving (\$2,756), tree trimming/removal services (\$3,705), and mowing services (\$6,363) and in 2006 for council services (\$3,500), sign and post repair services (\$5,882), and mowing services (\$7,540). The Village did not issue 1099 forms to any of these independent contractors.

We recommend the Village report all payments to independent contracts on Form 1099.

<b>Finding Number</b>	<b>2006-003</b>
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**OPWC Debt Covenants – Noncompliance Finding / Significant Deficiency**

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.

Although the Village maintained liability insurance in 2006 and 2005, there was no evidence that OSGCIC was named in the policy.

We recommend the Village carefully review its debt agreements to ensure the Village is following all debt covenants. 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.

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2006-004</b>
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**OWDA Debt Covenants – Noncompliance Finding / Significant Deficiency**

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.

In 2006 and 2005, the Village did not file the required annual reports with the OWDA. Also although the Village also did maintain liability insurance, OWDA was not named as an additional insured party 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.

<b>Finding Number</b>	<b>2006-005</b>
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**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 2005 the Village collected \$5,428 of income tax from various electric, light, and telecommunication companies' business income only through the State of Ohio Department of Taxation. During 2006, the Village collected \$8,019. 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 or consider abolishing the tax if it will not be enforced and collected.

VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)

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

Finding Number	2006-006
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**Financial Reporting – Significant Deficiency/Material Weakness**

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

The following audit adjustments / reclassifications were made to the financial statements:

1. Adjusted 2006 Enterprise Fund by \$39,263 due to the Village not recognizing payments from the OPWC directly to contracts as the remainder of loan proceeds drawn down and contractual service expenditures.
2. Adjusted the 2005 Village prepared financial statement General Fund cash fund balance by \$1,360 to remove outstanding checks that were never cashed and were voided by the Village.
3. Adjusted the 2005 Village prepared financial statement to post \$2,544 of General Fund, earnings on investment to the proper funds of Street Construction, earnings on investment for \$2,440 and Motor Vehicle License Tax, earnings on investment for \$104, as noted in Finding 2006-001.

The following differences and reclassifications were inconsequential to the overall financial statements of the Village and were not posted to the financial statement or Village accounting records.

1. Reclassification of 2006 and 2005 General Fund receipts from property and local taxes to intergovernmental receipts for \$1,027 and \$981, respectfully
2. Projected difference in testing of \$378 from the 2006 financial statement general government disbursements for not having adequate documentation for the expenditures.
3. Difference of the beginning General Fund, cash fund balance, of \$765 for the outstanding checks adjusted in audit adjustment #2 above for 2005 to be reflected in the Fiscal year 2004 balance.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities occurring and going undetected and decreases the reliability of financial data throughout the year.

We recommend the Board of Trustees adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year.

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

**VILLAGE OF LOCKBOURNE  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

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>
2004-001	The Village does not have procedures in place for consistent and complete collections of income tax.	No	See Finding number 2006-005



**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  
NOVEMBER 8, 2007**