



**VILLAGE OF LOCKBOURNE
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

VILLAGE OF LOCKBOURNE
FRANKLIN COUNTY

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Dave Yost • 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.

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Dave Yost
Auditor of State

August 31, 2011

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Dave Yost • 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, 2010 and 2009. 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(A) mandates 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.

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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flow, 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 of the Village of Lockbourne, Franklin County, Ohio as of December 31, 2010 and 2009, 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 31, 2011, 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.



Dave Yost
Auditor of State

August 31, 2011

**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, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 8,073	\$ -	\$ 8,073
Municipal Income Tax	148,248	-	148,248
Intergovernmental	42,578	11,070	53,648
Fines, Licenses and Permits	680	-	680
Earnings on Investments	370	252	622
Miscellaneous	423	-	423
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	200,372	11,322	211,694
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,495	-	1,495
Leisure Time Activities	11,765	-	11,765
Community Environment	1,974	-	1,974
Basic Utility Service	18,418	-	18,418
Transportation	-	17,880	17,880
General Government	105,421	-	105,421
Debt Service:			
Redemption of Principal	-	4,839	4,839
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	139,073	22,719	161,792
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	61,299	(11,397)	49,902
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	247,326	133,989	381,315
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Fund Cash Balances, December 31	<u>\$ 308,625</u>	<u>\$ 122,592</u>	<u>\$ 431,217</u>

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, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 26,428
Total Operating Cash Receipts	26,428
Operating Cash Disbursements:	
Contractual Services	1,997
Total Operating Cash Disbursements	1,997
Operating Income	24,431
Non-Operating Cash Receipts:	
Municipal Income Tax	6,000
Special Assessments	7,838
Total Non-Operating Cash Receipts	13,838
Non-Operating Cash Disbursements:	
Redemption of Principal	22,855
Interest and Other Fiscal Charges	19,016
Total Non-Operating Cash Disbursements	41,871
Net Receipts Under Disbursements	(3,602)
Fund Cash Balances, January 1	97,916
Fund Cash Balances, December 31	\$ 94,314

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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 7,643	\$ -	\$ 7,643
Municipal Income Tax	54,431	-	54,431
Intergovernmental	51,712	10,515	62,227
Fines, Licenses and Permits	1,423	-	1,423
Earnings on Investments	672	480	1,152
Miscellaneous	893	-	893
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	116,774	10,995	127,769
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,264	-	1,264
Leisure Time Activities	12,059	-	12,059
Community Environment	2,060	-	2,060
Basic Utility Service	16,667	-	16,667
Transportation	-	10,307	10,307
General Government	82,295	-	82,295
Debt Service:			
Redemption of Principal	-	4,840	4,840
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	114,345	15,147	129,492
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	2,429	(4,152)	(1,723)
	<hr/>	<hr/>	<hr/>
Other Financing Disbursements:			
Transfers-Out	(1,600)	-	(1,600)
	<hr/>	<hr/>	<hr/>
Total Other Financing Disbursements	(1,600)	-	(1,600)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	829	(4,152)	(3,323)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1 - Restated	246,497	138,141	384,638
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 247,326</u>	<u>\$ 133,989</u>	<u>\$ 381,315</u>

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, 2009**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 44,153
Total Operating Cash Receipts	44,153
Operating Cash Disbursements:	
Contractual Services	544
Other	468
Total Operating Cash Disbursements	1,012
Operating Income	43,141
Non-Operating Cash Receipts:	
Special Assessments	7,505
Total Non-Operating Cash Receipts	7,505
Non-Operating Cash Disbursements:	
Redemption of Principal	21,363
Interest and Other Fiscal Charges	20,435
Total Non-Operating Cash Disbursements	41,798
Excess of Receipts Over Disbursements Before Interfund Transfers	8,848
Transfers-In	1,600
Net Receipts Over Disbursements	10,448
Fund Cash Balances, January 1 - Restated	87,468
Fund Cash Balances, December 31	\$ 97,916

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

**VILLAGE OF LOCKBOURNE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 contracts with Hamilton Township to receive fire protection services.

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

B. Accounting Basis

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

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

C. Deposits 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 2010 or 2009.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

2. Equity in Pooled Deposits

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

	2010	2009
Demand deposits	\$525,531	\$479,231

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, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$336,032	\$200,372	(\$135,660)
Special Revenue	145,529	11,332	(134,197)
Enterprise	130,527	40,266	(90,261)
Total	\$612,088	\$251,970	(\$360,118)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$188,453	\$139,073	\$49,380
Special Revenue	59,725	22,719	37,006
Enterprise	65,700	43,868	21,832
Total	\$313,878	\$205,660	\$108,218

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$368,578	\$116,774	(\$251,804)
Special Revenue	154,429	10,995	(143,434)
Enterprise	125,512	53,258	(72,254)
Total	\$648,519	\$181,027	(\$467,492)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$186,072	\$115,945	\$70,127
Special Revenue	65,714	15,147	50,567
Enterprise	69,106	42,810	26,296
Total	\$320,892	\$173,902	\$146,990

**VILLAGE OF LOCKBOURNE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Village utilizes the Regional Income Tax Agency (RITA) for the collection of income taxes on its behalf.

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 1003/1686	\$36,393	8.05%
Ohio Water Development Authority Loan 5037/3072	\$142,391	6.87%
Ohio Water Development Authority Loan 6012/3086	\$87,588	5.90%
Ohio Public Works Commission Loan CT07F	\$75,011	0.00%
Total	<u>\$341,383</u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer projects within the Village. 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.

**VILLAGE OF LOCKBOURNE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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
2011	\$10,618	\$19,488	\$11,844	\$4,840
2012	10,702	19,488	11,844	4,840
2013	10,794	19,488	11,844	4,840
2014	10,892	19,488	11,844	4,840
2015		19,488	11,844	4,840
2016-2020		97,438	59,220	24,195
2021-2025		9,743		24,195
2026				2,421
Total	\$43,006	\$204,621	\$118,440	\$75,011

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 2010 and 2009, there was no evidence OSGCIC was named in the policy. Additionally, the Ohio Water Development Authority (OWDA) debt covenants require the Village to submit annual reports of the operation and income of the system to OWDA and require OWDA to be an additional insured party under the Village's liability policy covering the projects. In 2010 and 2009, the Village did not file the required annual reports with OWDA and although the Village maintained 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF LOCKBOURNE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

9. Restatement of Fund Balances

During 2010, the Village identified several long outstanding items on the bank reconciliation relating checks which should have been voided in the accounting system. The checks related to fiscal year 2007. Therefore, beginning fund balance was restated for 2009 as follows:

	General	Special Revenue	Enterprise	Total
Fund Balance, December 31, 2008	246,401	137,781	84,078	468,260
Restatement of Expenditures	<u>96</u>	<u>360</u>	<u>3,390</u>	<u>3,846</u>
Fund Balance, December 31, 2008, restated	246,497	138,141	87,468	472,106

10. Contingent Receivable / Subsequent Event

During fiscal year 2010 and subsequent to year end, the Village was a defendant in a court case involving eminent domain for a portion of the Village's property, which was to be used for a sewer line that would be constructed through the Village of Lockbourne. The court ultimately granted the Village's Motion for Summary Judgment and dismissed the case. The court subsequently awarded the Village of Lockbourne all of its court and attorney's fees involved in defending the litigation, which totaled \$150,935.



Dave Yost • 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, 2010 and 2009, and have issued our report thereon dated August 31, 2011, 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 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(A) mandates the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 31, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 31, 2011

**VILLAGE OF LOCKBOURNE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

OWDA and OPWC Debt Covenants

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 2010 and 2009, the Village did not file the required annual reports with the OWDA. Additionally, 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.

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

**VILLAGE OF LOCKBOURNE
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Transfers - The Fiscal Officer made a transfer during the fiscal year without the required Council approval.	Yes	
2008-002	Interest Allocation - The Fiscal Officer failed to properly post interest to the correct funds.	No	Partially Corrected, re-issued as a Management Letter comment.
2008-003	OWDA and OPWC Debt Covenants - The Village did not file the required annual reports or follow debt covenants.	No	Not Corrected; re-issued as finding number 2010-001.
2008-004	Village Income Tax - The Village did not have any procedures or controls in place for consistent and complete collections of income taxes.	Yes	
2008-005	Financial Reporting - The Village had audit adjustments and unadjusted differences to the financial statements.	No	Partially Corrected, re-issued as a Management Letter comment.
2008-006	Board Monitoring - The Village Council failed to approve the monitoring of financial information in the Council minutes.	Yes	



Dave Yost • 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
SEPTEMBER 27, 2011