



**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF LOCKINGTON
SHELBY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Lockington
Shelby County
10498 Whitehorse Trail
Piqua, OH 45356

To the Village Council:

We have audited the accompanying financial statements of the Village of Lockington, Shelby County, (the Village) as of and for the years ended December 31, 2000 and 1999. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 9, 2001

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$1,805	\$1,038	\$2,843
Intergovernmental	16,991	2,814	19,805
Special Assessments		1,864	1,864
Fines, Licenses, and Permits	75		75
Miscellaneous Revenue	383	383	766
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	19,254	6,099	25,353
Cash Disbursements:			
Current:			
Security of Persons and Property	1,770		1,770
Public Health Services	179		179
Leisure Time Activities	2,414		2,414
Basic Utility Services		1,865	1,865
Transportation		2,292	2,292
General Government	8,338		8,338
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	12,701	4,157	16,858
Total Receipts Over/(Under) Disbursements	6,553	1,942	8,495
Fund Cash Balances, January 1	35,417	6,959	42,376
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$41,970</u>	<u>\$8,901</u>	<u>\$50,871</u>

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

VILLAGE OF LOCKINGTON
SHELBY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Non-Expendable Trust</u>
Non-Operating Cash Receipts:	
Earnings on Investments	<u>\$5</u>
Total Operating Cash Receipts	<u>5</u>
Cash Disbursements:	
Current:	
Supplies and Materials	<u> </u>
Total Cash Disbursements	<u> </u>
Total Receipts Over/(Under) Disbursements	5
Fund Cash Balance, January 1	<u>309</u>
Fund Cash Balance, December 31	<u><u>\$314</u></u>

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

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$1,855	\$1,184	\$3,039
Intergovernmental	16,990	3,276	20,266
Special Assessments		2,046	2,046
Fines, Licenses, and Permits	175		175
Miscellaneous Revenue	310	611	921
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	19,330	7,117	26,447
Cash Disbursements:			
Current:			
Security of Persons and Property	1,888		1,888
Public Health Services	173		173
Leisure Time Activities	2,448	160	2,608
Community Environment	19		19
Basic Utility Services	550	2,021	2,571
Transportation		4,604	4,604
General Government	10,333		10,333
Capital Outlay	1,476		1,476
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	16,887	6,785	23,672
Total Receipts Over/(Under) Disbursements	2,443	332	2,775
Other Financing Receipts/(Disbursements):			
Refund of Prior Year Expenditures	321		321
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,764	332	3,096
Fund Cash Balances, January 1	32,653	6,627	39,280
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$35,417</u>	<u>\$6,959</u>	<u>\$42,376</u>

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

VILLAGE OF LOCKINGTON
SHELBY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Non-Expendable Trust</u>
Non-Operating Cash Receipts:	
Earnings on Investments	<u>\$4</u>
Total Operating Cash Receipts	<u>4</u>
Cash Disbursements:	
Current:	
Supplies and Materials	<u> </u>
Total Cash Disbursements	<u> </u>
Total Receipts Over/(Under) Disbursements	4
Fund Cash Balance, January 1	<u>305</u>
Fund Cash Balance, December 31	<u><u>\$309</u></u>

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

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lockington, Shelby County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and Mayor. The Village provides general governmental services and park operations (leisure time activities). The Village contracts with the Shelby County Sheriff's department to provide for the 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to 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 Funds:

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

Park Fund - This fund receives donations and general fund transfers to fund maintenance of the Park.

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Light Assessment Fund - This fund accounts for the cost of improvement of street lights that will be paid by the benefitting property owners.

3. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Non-Expendable Trust Fund - Amounts donated are maintained in perpetuity. Investment earning are used as specified by the donor.

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 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. The Village did not use the encumbrance method of accounting.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$51,185</u>	<u>\$42,685</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 18,793	\$ 19,254	\$ 461
Special Revenue	6,053	6,099	46
Fiduciary	<u>0</u>	<u>5</u>	<u>5</u>
Total	<u>\$ 24,846</u>	<u>\$ 25,358</u>	<u>\$ 512</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 35,761	\$ 12,701	\$ 23,060
Special Revenue	<u>9,966</u>	<u>4,157</u>	<u>5,809</u>
Total	<u>\$ 45,727</u>	<u>\$ 16,858</u>	<u>\$ 28,869</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 18,401	\$ 19,330	\$ 929
Special Revenue	3,395	7,117	3,722
Fiduciary	<u>0</u>	<u>4</u>	<u>4</u>
Total	<u>\$ 21,796</u>	<u>\$ 26,451</u>	<u>\$ 4,655</u>

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 32,692	\$ 16,887	\$ 15,805
Special Revenue	6,589	6,785	(196)
Total	\$ 39,281	\$ 23,672	\$ 15,609

The Village was in violation of Ohio Rev. Code Section 5705.41 (B) which states that encumbrances must be charged against proper appropriations. The Street Construction, Maintenance, and Repair Fund had expenditures in excess of appropriations during 2000 and 1999. The Village was also in violation of Ohio Rev. Code Section 5705.41 (D) for failing to certify that funds were available for expenditure.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for January 1999 through June 2000 and an amount equal to 8.13% of participants' gross salaries for July 2000 through December 2000. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF LOCKINGTON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Lockington
Shelby County
10498 Whitehorse Trail
Piqua, OH 45356

To the Village Council:

We have audited the accompanying financial statements of the Village of Lockington, Shelby County, (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30375-001 and 2000-30375-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 9, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 9, 2001.

Village of Lockington
Shelby County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 9 2001

VILLAGE OF LOCKINGTON
SHELBY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30375-001

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The Village Clerk failed certify the availability of funds prior to incurring the obligation or comply with the exception requirement and issue the required certification at the time of payment for all disbursements during 1999 and 2000.

The Village should develop policies and procedures to provide for the fiscal officers certification that funds are available prior to incurring the obligations to comply with this section.

FINDING NUMBER 2000-30375-002

Ohio Rev. Code Section 5705.41(B) states that expenditures must be charged against legally adopted appropriations. This prohibits a subdivision from making an expenditure unless it is within the amounts appropriated.

Fund expenditures which exceeded the amounts appropriated during 2000 were:

Fund	Appropriations	Expenditures	Variance
Street Main. and Const. Fund	\$2,610	\$3,659	(\$1,049)

Fund expenditures which exceeded the amounts appropriated during 1999 were:

Fund	Appropriations	Expenditures	Variance
Street Main. and Const. Fund	\$4,082	\$4,604	(\$522)
Park Fund	0	149	(\$149)

The Village Clerk and Council should monitor the Village budgetary financial reports throughout the year to prevent expenditures from exceeding the amounts appropriated at the legal level of control. In instances where it appears appropriations are insufficient to meet projected needs, the Village Council should pass a resolution to amend appropriations after determining that sufficient estimated resources are available.



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VILLAGE OF LOCKINGTON

SHELBY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 3, 2001**