

VILLAGE OF LOCKLAND

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
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The Honorable Mayor and Members of Council
Village of Lockland
Lockland, Ohio

We have reviewed the Independent Auditor's Report of the Village of Lockland, Hamilton County, prepared by VonLehman & Company Inc., for the audit period January 1, 1999 to December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Lockland is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 22, 2001

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HAMILTON COUNTY, OHIO
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**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO**

VILLAGE OFFICIALS

MAYOR

Jim Brown

COUNCIL MEMBERS

Debbie Bray

Lyle Inskeep

Ron Perkins

Bob Brown

Mark Mason

Jerry Raby

DEPARTMENT HEADS

Village Administrator

Village Finance Director

Village Police Chief

Richard Melfi

Krista Blum

Ken Johnson

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of Council
Village of Lockland
Lockland, Ohio

We have audited the accompanying financial statements of the Village of Lockland, Hamilton County, Ohio, as of and for the years ended December 31, 2000 and 1999, as listed in the table of contents. 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 have conducted our audit in accordance with U.S. 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 described in Note 1, the Village of Lockland 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 U.S. 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 of Lockland, Hamilton County, Ohio, as of December 31, 2000 and 1999, its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 1.

Honorable Mayor and Members of Council
Village of Lockland
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In accordance with Government Auditing Standards, we have also issued a report dated June 5, 2001 on our consideration of the Village of Lockland's internal control over financial reporting and our tests of its compliance with certain provision 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 management and Council of the Village of Lockland and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Cincinnati, Ohio
June 5, 2001

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF
FUND CASH BALANCES
ALL FUND TYPES**

December 31, 2000

Cash \$ 1,921,915

FUND CASH BALANCES BY FUND TYPE

Governmental Fund Types

| | |
|------------------------|----------------|
| General Fund | \$ 1,109,920 |
| Special Revenue Funds | 554,771 |
| Debt Service Funds | 187 |
| Capital Projects Funds | <u>151,176</u> |
| | 1,816,054 |

Proprietary Fund Type

| | |
|------------------|--------|
| Enterprise Funds | 91,587 |
|------------------|--------|

Fiduciary Fund Type

| | |
|-------------|---------------|
| Agency Fund | <u>14,274</u> |
|-------------|---------------|

\$ 1,921,915

See accompanying notes.

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF
FUND CASH BALANCES
ALL FUND TYPES**

December 31, 1999

Cash \$ 2,550,009

FUND CASH BALANCES BY FUND TYPE

Governmental Fund Types

| | |
|------------------------|----------------|
| General Fund | \$ 1,379,276 |
| Special Revenue Funds | 700,553 |
| Debt Service Funds | (15) |
| Capital Projects Funds | <u>327,374</u> |
| | 2,407,188 |

Proprietary Fund Type

| | |
|------------------|---------|
| Enterprise Funds | 120,894 |
|------------------|---------|

Fiduciary Fund Type

| | |
|-------------|---------------|
| Agency Fund | <u>21,927</u> |
|-------------|---------------|

\$ 2,550,009

See accompanying notes.

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES**

| | Year Ended December 31, 2000 | | | | |
|---|------------------------------|-----------------------------|--------------------------|------------------------------|--------------------------------|
| | General Fund | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Totals (Memorandum Only) |
| Receipts | | | | | |
| Taxes | \$ 2,099,879 | \$ 119,228 | \$ - | \$ - | \$ 2,219,107 |
| Intergovernmental Receipts | 254,836 | 271,816 | - | - | 526,652 |
| Special Assessments | 948 | 50,000 | - | - | 50,948 |
| Charges for Services | 41,938 | 35,905 | - | - | 77,843 |
| Fines, Licenses and Permits | 244,862 | 28,063 | - | - | 272,925 |
| Interest | 120,538 | 3,665 | - | - | 124,203 |
| Miscellaneous | 155,078 | 3,748 | - | - | 158,826 |
| Total Receipts | <u>2,918,079</u> | <u>512,425</u> | <u>-</u> | <u>-</u> | <u>3,430,504</u> |
| Disbursements | | | | | |
| Security of Persons and Property | 1,345,171 | 237,165 | - | - | 1,582,336 |
| Public Health Services | 2,977 | - | - | - | 2,977 |
| Leisure Time Activities | 39,671 | 8,006 | - | - | 47,677 |
| Community Environment | 47,786 | 50,333 | - | - | 98,119 |
| Basic Utilities Services | 636,950 | - | - | - | 636,950 |
| Transportation | 31,845 | 203,089 | - | 15,000 | 249,934 |
| General Government | 729,254 | 750,000 | - | - | 1,479,254 |
| Capital Outlay | 2,402 | 277,312 | - | 161,198 | 440,912 |
| Debt Service | - | - | 567,781 | - | 567,781 |
| Total Disbursements | <u>2,836,056</u> | <u>1,525,905</u> | <u>567,781</u> | <u>176,198</u> | <u>5,105,940</u> |
| Excess (Deficit) of Receipts Over (Under) Disbursements | 82,023 | (1,013,480) | (567,781) | (176,198) | (1,675,436) |
| Other Financing Sources (Uses) | | | | | |
| Issuance of Bond Anticipation Notes | - | 750,000 | - | 400,000 | 1,150,000 |
| Transfers - In | - | 204,000 | 584,896 | - | 788,896 |
| Transfers - Out | (363,498) | (114,485) | (16,913) | (400,000) | (894,896) |
| Other Sources | 12,119 | 28,183 | - | - | 40,302 |
| Total Other Financing Sources (Uses) | <u>(351,379)</u> | <u>867,698</u> | <u>567,983</u> | <u>-</u> | <u>1,084,302</u> |
| Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses | (269,356) | (145,782) | 202 | (176,198) | (591,134) |
| Beginning Fund Cash Balance | <u>1,379,276</u> | <u>700,553</u> | <u>(15)</u> | <u>327,374</u> | <u>2,407,188</u> |
| Ending Fund Cash Balance | <u>\$ 1,109,920</u> | <u>\$ 554,771</u> | <u>\$ 187</u> | <u>\$ 151,176</u> | <u>\$ 1,816,054</u> |

See accompanying notes.

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY
AND FIDUCIARY FUND TYPES**

| | Year Ended December 31, 2000 | | |
|---------------------------------------|-------------------------------------|--------------------------------|---|
| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
| | Enterprise Funds | Agency Fund | |
| Operating Receipts | | | |
| Charges for Services | \$ 757,567 | \$ - | \$ 757,567 |
| Miscellaneous | 6,636 | - | 6,636 |
| | <u>764,203</u> | <u>-</u> | <u>764,203</u> |
| Operating Disbursements | | | |
| Personal Services | 202,448 | - | 202,448 |
| Contract Services | 587,326 | - | 587,326 |
| Supplies and Materials | 109,736 | - | 109,736 |
| | <u>899,510</u> | <u>-</u> | <u>899,510</u> |
| Operating Loss | <u>(135,307)</u> | <u>-</u> | <u>(135,307)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers - In | 106,000 | - | 106,000 |
| Other Non-Operating Receipts | - | 280,506 | 280,506 |
| Other Non-Operating Disbursements | - | (288,159) | (288,159) |
| | <u>106,000</u> | <u>(7,653)</u> | <u>98,347</u> |
| Net Loss | (29,307) | (7,653) | (36,960) |
| Beginning Fund Cash Balance | <u>120,894</u> | <u>21,927</u> | <u>142,821</u> |
| Ending Fund Cash Balance | <u>\$ 91,587</u> | <u>\$ 14,274</u> | <u>\$ 105,861</u> |

See accompanying notes.

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES**

Year Ended December 31, 1999

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------------|--------------------------------------|-----------------------------------|---------------------------------------|---|
| Receipts | | | | | |
| Taxes | \$ 2,240,135 | \$ 124,349 | \$ - | \$ - | \$ 2,364,484 |
| Intergovernmental Receipts | 168,230 | 193,975 | - | 1,226,456 | 1,588,661 |
| Special Assessments | 701 | 100,000 | - | - | 100,701 |
| Charges for Services | 2,449 | 51,446 | - | - | 53,895 |
| Fines, Licenses and Permits | 248,600 | 24,477 | - | - | 273,077 |
| Interest | 108,954 | - | - | - | 108,954 |
| Miscellaneous | 236,258 | 415 | - | - | 236,673 |
| Total Receipts | <u>3,005,327</u> | <u>494,662</u> | <u>-</u> | <u>1,226,456</u> | <u>4,726,445</u> |
| Disbursements | | | | | |
| Security of Persons and Property | 1,230,245 | 228,811 | - | - | 1,459,056 |
| Public Health Services | 5,111 | - | - | - | 5,111 |
| Leisure Time Activities | 65,760 | - | - | - | 65,760 |
| Community Environment | 24,518 | 70,113 | - | - | 94,631 |
| Basic Utilities Services | 605,623 | - | - | - | 605,623 |
| Transportation | 21,913 | 45,133 | - | - | 67,046 |
| General Government | 889,660 | - | - | - | 889,660 |
| Capital Outlay | 382,513 | 285,806 | - | 538,193 | 1,206,512 |
| Debt Service | - | - | 871,140 | - | 871,140 |
| Total Disbursements | <u>3,225,343</u> | <u>629,863</u> | <u>871,140</u> | <u>538,193</u> | <u>5,264,539</u> |
| Excess (Deficit) of Receipts Over (Under) Disbursements | (220,016) | (135,201) | (871,140) | 688,263 | (538,094) |
| Other Financing Sources (Uses) | | | | | |
| Transfers - In | - | 168,000 | 826,466 | - | 994,466 |
| Transfers - Out | (193,374) | (72,916) | - | (728,176) | (994,466) |
| Other Sources | - | - | 44,659 | - | 44,659 |
| Total Other Financing Sources (Uses) | <u>(193,374)</u> | <u>95,084</u> | <u>871,125</u> | <u>(728,176)</u> | <u>44,659</u> |
| Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses | (413,390) | (40,117) | (15) | (39,913) | (493,435) |
| Beginning Fund Cash Balance | <u>1,792,666</u> | <u>740,670</u> | <u>-</u> | <u>367,287</u> | <u>2,900,623</u> |
| Ending Fund Cash Balance | <u>\$ 1,379,276</u> | <u>\$ 700,553</u> | <u>\$ (15)</u> | <u>\$ 327,374</u> | <u>\$ 2,407,188</u> |

See accompanying notes.

**VILLAGE OF LOCKLAND
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY
 AND FIDUCIARY FUND TYPES**

| | Year Ended December 31, 1999 | | |
|---------------------------------------|-------------------------------------|--------------------------------|---|
| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
| | Enterprise Funds | Agency Fund | |
| Operating Receipts | | | |
| Charges for Services | \$ 748,675 | \$ - | \$ 748,675 |
| Miscellaneous | 7,763 | - | 7,763 |
| | 756,438 | - | 756,438 |
| Operating Disbursements | | | |
| Personal Services | 257,373 | - | 257,373 |
| Contract Services | 455,577 | - | 455,577 |
| Supplies and Materials | 192,238 | - | 192,238 |
| | 905,188 | - | 905,188 |
| Operating Loss | (148,750) | - | (148,750) |
| Other Financing Sources (Uses) | | | |
| Other Non-Operating Receipts | - | 305,743 | 305,743 |
| Other Non-Operating Disbursements | - | (283,894) | (283,894) |
| | - | 21,849 | 21,849 |
| Total Other Financing Sources (Uses) | - | 21,849 | 21,849 |
| Net (Loss) Income | (148,750) | 21,849 | (126,901) |
| Beginning Fund Cash Balance | 269,644 | 78 | 269,722 |
| Ending Fund Cash Balance | \$ 120,894 | \$ 21,927 | \$ 142,821 |

See accompanying notes.

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL**

| <u>Fund Type/Funds</u> | Year Ended December 31, 2000 | | |
|--------------------------------|------------------------------|--------------|-----------------------|
| | Budget | Actual | Variance Favorable |
| <u>Governmental Fund Types</u> | | | |
| General Fund | \$ 2,912,245 | \$ 2,930,198 | \$ 17,953 |
| Special Revenue Funds | 1,324,458 | 1,494,608 | 170,150 |
| Debt Service Funds | 430,298 | 584,896 | 154,598 |
| Capital Projects Funds | 41,100 | 400,000 | 358,900 |
| <u>Proprietary Fund Type</u> | | | |
| Enterprise Funds | 830,000 | 870,203 | 40,203 |
| Totals (Memorandum Only) | \$ 5,538,101 | \$ 6,279,905 | \$ 741,804 |

See accompanying notes.

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL**

| <u>Fund Type/Funds</u> | Year Ended December 31, 1999 | | |
|--------------------------------|------------------------------|--------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Governmental Fund Types</u> | | | |
| General Fund | \$ 2,916,292 | \$ 3,005,327 | \$ 89,035 |
| Special Revenue Funds | 742,400 | 662,662 | (79,738) |
| Debt Service Funds | 45,000 | 871,125 | 826,125 |
| Capital Projects Funds | 1,730,006 | 1,226,456 | (503,550) |
| <u>Proprietary Fund Type</u> | | | |
| Enterprise Funds | 976,500 | 756,438 | (220,062) |
| Totals (Memorandum Only) | \$ 6,410,198 | \$ 6,522,008 | \$ 111,810 |

See accompanying notes.

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY**

| <u>Fund Type/Funds</u> | <u>Prior Year Carryover Appropriations</u> | <u>2000 Appropriations</u> | <u>Total</u> | <u>Actual 2000 Disbursements</u> | <u>Encumbrances Outstanding at 12/31/00</u> | <u>Total</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--|--------------------------------|---------------------|--------------------------------------|---|---------------------|---|
| <u>Governmental Fund Types</u> | | | | | | | |
| General Fund | \$ 6,893 | \$ 3,409,721 | \$ 3,416,614 | \$ 3,199,554 | \$ 6,888 | \$ 3,206,442 | \$ 210,172 |
| Special Revenue Funds | 99,923 | 1,043,904 | 1,143,827 | 1,640,390 | 13,250 | 1,653,640 | (509,813) |
| Debt Service Funds | - | 466,000 | 466,000 | 584,694 | - | 584,694 | (118,694) |
| Capital Projects Funds | 87,807 | 623,000 | 710,807 | 576,198 | - | 576,198 | 134,609 |
| <u>Proprietary Fund Type</u> | | | | | | | |
| Enterprise | - | 941,250 | 941,250 | 899,510 | - | 899,510 | 41,740 |
| December 31, 2000 (Memorandum Only) | \$ <u>194,623</u> | \$ <u>6,483,875</u> | \$ <u>6,678,498</u> | \$ <u>6,900,346</u> | \$ <u>20,138</u> | \$ <u>6,920,484</u> | \$ <u>(241,986)</u> |

See accompanying notes.

**VILLAGE OF LOCKLAND
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY**

| <u>Fund Type/Funds</u> | <u>Prior Year Carryover Appropriations</u> | <u>1999 Appropriations</u> | <u>Total</u> | <u>Actual 1999 Disbursements</u> | <u>Encumbrances Outstanding at 12/31/99</u> | <u>Total</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--|--------------------------------|---------------------|--------------------------------------|---|---------------------|---|
| <u>Governmental Fund Types</u> | | | | | | | |
| General Fund | \$ 41,551 | \$ 3,565,990 | \$ 3,607,541 | \$ 3,418,717 | \$ 6,893 | \$ 3,425,610 | \$ 181,931 |
| Special Revenue Funds | 28,731 | 1,258,000 | 1,286,731 | 702,779 | 99,923 | 802,702 | 484,029 |
| Debt Service Funds | - | 796,000 | 796,000 | 871,140 | - | 871,140 | (75,140) |
| Capital Projects Funds | 331,830 | 1,635,000 | 1,966,830 | 1,266,369 | 87,807 | 1,354,176 | 612,654 |
| <u>Proprietary Fund Type</u> | | | | | | | |
| Enterprise | 20,431 | 1,151,735 | 1,172,166 | 905,188 | - | 905,188 | 266,978 |
| December 31, 2000 (Memorandum Only) | \$ <u>422,543</u> | \$ <u>8,406,725</u> | \$ <u>8,829,268</u> | \$ <u>7,164,193</u> | \$ <u>194,623</u> | \$ <u>7,358,816</u> | \$ <u>1,470,452</u> |

See accompanying notes.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - ACCOUNTING POLICIES

The Village of Lockland, Hamilton County, Ohio (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 operates under a council-mayor form of government and provides security of persons and property, public health and welfare and community development. Educational services are provided by the Lockland Local School District. The District is a separate governmental entity and its financial statements are not included in those presented in this report.

The Village's management believes these financial statements present all activities for which the Village of Lockland, Hamilton County, Ohio is financially accountable.

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.

Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Village classifies its funds into the following types:

General Fund

The general fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

NOTE 1 - ACCOUNTING POLICIES (Continued)

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts, debt or for capital projects) that are restricted to expenditure for specific purposes.

These funds include the following:

- *Alcohol Enforcement Fund* - This fund is used for DUI enforcement. Revenue is derived from DUI fines.
- *Cops Fast Fund* - This fund is specifically for salaries of two full-time police officers. Revenue is derived from grant funds over a period of four (4) years.
- *Drug Law Enforcement Fund* - This fund is used exclusively for drug related investigations, training and equipment.
- *Fire/Life Squad Levy Fund* - This fund receives taxes levied for the purchase of fire equipment and the payment of firemen's salaries.
- *Law Enforcement Fund* - This fund is used for equipment purchase not specifically drug related and training. Revenue is derived from seized or forfeited contraband/sale.
- *Mayor's Court Computer Fund* - This fund is used for staff expenses related to operating the computer system, supplies, etc. Revenue is generated from each court fine. A percentage of each fine is posted to the Mayor's Court Computer Fund.
- *Recycling Grant Fund* - This fund was established to provide specific programs. Funds must be used for specific purpose upon application of grant.
- *Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- *Urban Development Block Grant (UDBG) Fund* - This fund received funds from the sale of bonds and fixed assets for the purpose of remediating an old industrial site and redeveloping some of the lost industrial bases in the Village.
- *U.S. EPA Brownfield Fund* - This fund is funded by the U.S. EPA for projects relating to Phase I and Phase II environmental testing of old factory property sites. Revenue is derived from grants.

Debt Service Funds

The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Village had the following significant debt service funds:

- *General Obligation Bond Retirement* - This fund receives transfers from the general fund to retire bonds used for street improvements.
- *Mortgage Notes Payable Fund* - This fund receives transfers from the general fund to retire bond anticipation notes whose proceeds were used to acquire real estate and vehicles.

NOTE 1 - ACCOUNTING POLICIES (Continued)

Capital Projects Funds

The capital projects funds are utilized to account for resources used in the acquisition and construction of certain capital facilities. The Village had the following significant capital projects funds:

- *Commerce Park Capital Improvement Fund* - This fund received proceeds from state grants and sale of bonds. The proceeds are being used for the acquisition of a 14.5 acre brownfield site and an access road into the park.
- *Community Development Block Grant Fund* - This fund provides for road projects (Worthington Avenue). Revenue is derived from HUD grants. Expenditures are related directly to the project.
- *Highland Avenue I-75 Waterline Fund* - This fund was established to cover expenditures for the reconstruction of the water main under I-75 at Highland Avenue.
- *MRF/Shepherd Smalley Improvement Fund* - This fund provides for road projects for Shepherd and Smalley Roads. Funding for these projects is from SCIP grants, Ohio Department of Development grant and MRF (Municipal Road Fund) grant, with local match appropriated within the General Fund.
- *Shepherd Avenue Improvement Fund* - This fund received proceeds from the sale of notes. The proceeds are being used for street improvement and repairs on Shepherd Avenue.
- *South Cooper Project Fund* - This fund was established for road improvements to South Cooper Avenue, which has been completed. This fund was municipally funded and the balance will be transferred to another active road project.

Enterprise Funds

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

- *Sanitary Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility. The Village serves as a collection agency for the Metropolitan Sewer District.
- *Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following agency fund:

- *Mayor's Court* - This fund receives fines and forfeitures for violation of ordinances within the Village limits.

NOTE 1 - ACCOUNTING POLICIES (Continued)

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

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.

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Estimated Resources

Estimated resources include estimates of cash to be received (budget periods) plus cash as of January 1. The County Budget Commission must also approve estimated resources. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the Village must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriation.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation.

NOTE 1 - ACCOUNTING POLICIES (Continued)

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Cash

The Village's cash balances consisted of cash in checking accounts and investments in STAROhio (the State Treasurer's investment pool).

Investments

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost, and interest earned is recognized and recorded when received.

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.

Unpaid Vacation and Personal Time

Employees are entitled to cash payments for unused vacation and personal time in certain circumstances, such as upon leaving employment. Unpaid vacation and personal time are not reflected as liabilities under the cash basis of accounting used by the Village.

Interfund Transactions

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

Intergovernmental Revenues

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis, are recorded when received in accordance with the Village's cash basis method of accounting.

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - EQUITY IN POOLED CASH

The Village of Lockland maintains a cash and investments pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Fund Cash Balances" as "Fund Cash Balances by Fund Type". The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2000 and 1999 was as follows:

| | <u>December 31,</u> | |
|----------------------------|---------------------|--------------------|
| | <u>2000</u> | <u>1999</u> |
| Demand Deposits | \$ 225,244 | \$ 473,876 |
| STAROhio Investments | <u>1,696,671</u> | <u>2,076,133</u> |
| Total Cash and Investments | <u>\$1,921,915</u> | <u>\$2,550,009</u> |

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or are otherwise collateralized by the financial institution where the money is on deposit. At both December 31, 2000 and 1999, all deposits were insured or collateralized, in compliance with Chapter 135, Ohio Revised Code.

Investments

Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

NOTE 3 - BUDGETARY ACTIVITY

For the year ended December 31, 2000, special revenue funds and debt service funds had disbursements in excess of appropriations as shown in the financial statements. In addition, for the year ended December 31, 1999, the debt service funds also had disbursements in excess of appropriations as shown in the financial statements (see Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards).

NOTE 4 - PROPERTY TAX

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by Hamilton County. 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 semi-annual payments, the first half is due December 31. The second half payment is due the following June 20.

NOTE 4 - PROPERTY TAX (Continued)

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.

NOTE 5 - RISK MANAGEMENT

The Village of Lockland is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Village assumes liability for any deductibles and claims in excess of coverage limitations.

Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

NOTE 6 - LOCAL INCOME TAX

This locally levied tax of 2% is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) who worked in the Village. It also applies to net income of business organizations' earnings conducted within the Village. Income tax receipts credited to the General Fund amounted to \$1,830,396 and \$1,941,254 in 2000 and 1999, respectively.

NOTE 7 - RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

NOTE 7 - RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For both 2000 and 1999, members of PFDPF contributed .5% of their wages to the PFDPF. The Village contributed an amount equal to 28.5% of their wages for both years, or \$429,000 and \$240,475, respectively. For both 2000 and 1999, PERS members contributed 0% of their gross salaries. The Village contributed an amount equal to 13.5% of participants' gross salaries for both years, or \$123,532 and \$85,794, respectively. The Village has paid all contributions required through December 31, 2000.

NOTE 8 - LONG-TERM DEBT

Payments made on the long-term debt for the years ended December 31, 2000 and 1999 were as follows:

| | <u>2000</u> | <u>1999</u> |
|------------------------------|------------------|------------------|
| Real Estate Acquisition Bond | | |
| Anticipation Notes | | |
| Principal | \$400,000 | \$700,000 |
| Interest | <u>16,913</u> | <u>28,176</u> |
| | <u>416,913</u> | <u>728,176</u> |
| Street Improvement Bonds | | |
| Principal | 15,000 | 15,000 |
| Interest | <u>13,183</u> | <u>29,674</u> |
| | <u>28,183</u> | <u>44,674</u> |
| Capital Lease Obligations | <u>122,685</u> | <u>98,290</u> |
| | <u>\$567,781</u> | <u>\$871,140</u> |

Street Improvement Bonds

In August, 1998, the Village received bond proceeds of \$500,000 from the bank for street improvements. The bonds are being repaid in yearly installments of \$15,000 plus interest for the first five years, \$20,000 plus interest for the next four years, \$25,000 plus interest for the next four years, \$30,000 plus interest for the next two years, \$35,000 plus interest for the next three years and \$40,000 plus interest for the last two years. These bonds mature in September, 2018.

The street improvement bonds have interest payable semi-annually on March 1 and September 1, and the principle is not subject to early redemption.

NOTE 8 - LONG-TERM DEBT (Continued)

Real Estate Acquisition Bond Anticipation Note

In July, 1998, the Village received a bond anticipation note of \$700,000 from the bank for acquisition of real estate and urban renewal. This note was repaid with interest in July, 1999 through the sale of real estate and the acquisition of another bond anticipation note of \$400,000 from the bank. This note was repaid with interest in July, 2000, with the proceeds of another \$400,000 bond anticipation note. This note is due in July, 2001.

Real Estate Acquisition Bond Anticipation Note

In July, 2000, the Village received a bond anticipation note of \$750,000 from the bank for acquisition of real estate. The note, including interest, is due in July, 2001.

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

| <u>Year Ending December 31,</u> | <u>Street Improvement Bonds</u> | <u>Real Estate Acquisition Bond Anticipation Note</u> | <u>Real Estate Acquisition Bond Anticipation Note</u> | <u>Total</u> |
|-------------------------------------|---|---|---|--------------------|
| 2001 | \$ 27,658 | \$424,000 | \$802,500 | \$1,254,158 |
| 2002 | 27,133 | - | - | 27,133 |
| 2003 | 26,608 | - | - | 26,608 |
| 2004 | 31,083 | - | - | 31,083 |
| 2005 | 30,383 | - | - | 30,383 |
| Thereafter | <u>641,409</u> | <u>-</u> | <u>-</u> | <u>641,409</u> |
| | <u>\$784,274</u> | <u>\$424,000</u> | <u>\$802,500</u> | <u>\$2,010,774</u> |

Capital Lease Obligations

The Village has four capital leases that bear interest at rates ranging from 4.5% to 6.3% and expire on various dates through February, 2003. At the conclusion of the capital leases, the Village will either take possession of the equipment or has the option to purchase the equipment for \$1.

NOTE 8 - LONG-TERM DEBT (Continued)

The following is a summary of the remaining future minimum capital lease payments and the associated interest expense:

| Year Ending <u>December 31,</u> | |
|------------------------------------|------------------|
| 2001 | \$122,686 |
| 2002 | 107,689 |
| 2003 | <u>13,387</u> |
| Total Payments | 243,762 |
| Less Interest Portion | <u>13,268</u> |
| Net Capital Lease Obligation | <u>\$230,494</u> |

NOTE 9 - GRANTS

U.S. EPA Revolving Loan Fund

The Village was awarded a federal grant from the U.S. EPA in July, 2000 in the form of a revolving loan in the amount of \$500,000. Nothing had been drawn on this loan through December 31, 2000.

Hamilton County Street Improvement Fund

The Village was awarded a grant for street improvements from both Hamilton County and the State of Ohio in the amount of \$200,000 and \$600,000, respectively. The funds will be disbursed directly by the county and state when costs are incurred. Nothing had been disbursed from this fund through December 31, 2000.

NOTE 10 - COMMUNITY IMPROVEMENT CORPORATION

The Village oversees a Community Improvement Corporation (CIC) which acts as the agent for the Village in certain real estate and bonding transactions. Those transactions were audited as a part of a separate, independent audit reported separately to the State of Ohio.

OTHER INFORMATION

Certified Public Accountants and Business Advisors

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of Council
Village of Lockland
Lockland, Ohio

We have audited the financial statements of the Village of Lockland as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 5, 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 of Lockland'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 as follows:

1. *Update Appropriations as Needed* - The Village overspent its appropriations on the special revenue funds and debt service funds in 2000 and the debt service funds in 1999. This is a violation of Ohio State Code 5705.39. If the Village finds or anticipates spending more than it had previously appropriated for the year, it should pass an updated appropriation resolution.
2. *Organize Invoices for Better Record Retention* - Throughout the audit, Village employees struggled to locate proper support for checks written during the years audited, a violation of Ohio Rev. Code, Section 149.351. Part of the problem was the fact that the former Finance Director, who prepared most of the information, was not on hand to assist. Although this problem existed at the time of our audit, we feel that the policies implemented by the current Finance Director will mitigate the problem.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Lockland'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 of Lockland's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows in Items 1 through 8. In addition, items that are not reportable conditions but are items which we believe would help the Village improve its operations are listed thereafter.

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. 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 to be material weaknesses.

Material Weaknesses

Current Year

1. *Reconcile Bank Statements Monthly* - The Village did not have a bank reconciliation prepared when we arrived to start field work. Bank reconciliations should be done on a monthly basis for all accounts, including the Mayor's Court. As of the date of this report, this plan has been implemented by the current staff.
2. *Restrict Access to Check Signing Machine* - The check signing machine contains both of the signatures required for a check to be paid. This machine is located in the Finance Director's office, with the key left in it. The key should never be left in the machine, unless it is being used, in order to properly restrict unauthorized use.
3. *Provide Independent Oversight of Disbursement Activity* - Because of the lack of segregation of duties due to a small staff, the Financial Services Manager has access to both cash and the records - a situation which would permit a misappropriation of assets to go undetected. The Village should have an individual independent of the disbursement function receive the unopened bank statement and perform the bank reconciliation. The Village has agreed to perform this procedure.

Honorable Mayor and Members of Council
Village of Lockland

4. *Code Expenditures to Proper Funds* - During our audit, we found numerous expenditures that were coded to the incorrect fund, most notably in the special revenue funds. The Finance Director should review entries made to ensure proper coding so that the Village knows exactly how much revenue remains in a specific fund to be spent. The current Finance Director appears to have taken the appropriate measures as of the date of this report to correct this matter.
5. *Carry Out Ordinances Passed by Council in Full* - The Village passed an ordinance to transfer additional funds to the Fire/Life Fund in 2000 that was never carried out. The Village should monitor all ordinances passed throughout the year to ensure that they are implemented in full.

Reportable Conditions

6. *Review Fund Activity Monthly with Department Heads* - As noted above, numerous instances occurred where expenditures were coded to improper accounts. For example, the Fire/Life Fund was charged for roof repairs to the recreation hall, even though it has nothing to do with that particular fund. The error was not found until year end when reviewed by the department heads. For more accurate fund balances throughout the year, department heads should review the expenditure journal at the end of each month.
7. *Classify Expenditures More Consistently* - During our audit, we noted on several occasions that similar expenditures were classified differently, such as capital outlay in one year and general government in the next. The Village should strive to classify these expenditures more consistently from year to year, which the current Finance Director appears to now be doing.
8. *Attach Detail of Deposits to Deposit Slip* - The Village keeps all deposit slips in an envelope for each month, but does not include the detailed breakdown of each deposit. A report should be included with each deposit slip, not only for proper record keeping but also to assist in inputting the receipts to the system. Once again, this recommendation applies to procedures performed by the former Finance Director that have since been corrected.

Other Matters

9. *Create Checks Electronically and Include Check Register* - The Village continues to manually prepare checks rather than using the computer system that has been implemented. A better audit trail would be created if this computer system were employed and a check register printed for each check run.

Honorable Mayor and Members of Council
Village of Lockland

10. *Consider Training Personnel on Computer System* - The Village is not using the computer system recommended by the State of Ohio to its fullest potential. The State of Ohio offers training on the system and will perform the training in-house. The Village should consider training all those who use the system or, at the very least, the Finance Director.
11. *Update Key Job Responsibility Descriptions* - The Village should consider drafting key job responsibility descriptions. In doing this, the employees will become more cognizant of their own responsibilities and the Village will, in turn, be able to hold that person accountable.
12. *Draft Policies and Procedures Manual* - The Village does not have a written policies and procedures manual. The Village should consider drafting this manual immediately.
13. *Pay Lease Payments from Debt Service Funds* - Lease payments are being made out of each specific fund. While this is appropriate for operating leases, capital leases need to be paid from the debt service funds as if they were loan payments. For the years ended December 31, 2000 and 1999, we have reclassified these amounts. The Village should continue to use this method for all ensuing years.

Items Completed From Last Year

1. *Set Up Cops Fast Fund* - Ohio Rev. Code, Section 5705.10 states that all revenue derived from a source other than general property tax for which the law prescribes a specific purpose is to be paid into a special fund for such purpose. The Village had been accounting for the cops fast fund in the general fund up until 2000, when this special fund was set up.
2. *Establish Proper Special Funds* - The Village is required to establish a special fund for each class of revenues derived from a source other than general property tax, which the law requires to be used for a specific purpose. Upon establishment, estimated receipts should be certified with the auditor and expenditures appropriated. The Village has complied with this requirement during the years audited.
3. *Appropriate Money Properly Before Spending* - The Village expended money in 1998 on the Commerce Park Development that exceeded the funds appropriated. This was not a problem in the years audited.
4. *Approve Expenditures Properly* - The fiscal officer must certify all expenditures, a problem which the Village has since corrected.

Honorable Mayor and Members of Council
Village of Lockland

5. *Comply With All Applicable Mayor's Court Procedures* - The Village had several reportable conditions and material weaknesses involving the Mayor's Court for the years ended December 31, 1998 and 1997. The proper actions were taken in the current audited years to correct these problems.

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

VonLehman & Company Inc.

Cincinnati, Ohio
June 5, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF LOCKLAND

HAMILTON 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**