

VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Lockland
101 North Cooper Ave
Lockland, Ohio 45215

We have reviewed the *Independent Auditor's Report* of the Village of Lockland, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2017 through December 31, 2018. 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.

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Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2019

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VILLAGE OF LOCKLAND, OHIO
HAMILTON COUNTY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Lockland
Hamilton County
101 North Cooper Ave.
Lockland, Ohio 45215

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lockland, Hamilton County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lockland, Hamilton County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 13, 2019

Village of Lockland
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 158,195	\$ 551,846	\$ -	\$ -	\$ 710,041
Municipal Income Tax	2,544,021	-	-	-	2,544,021
Intergovernmental	167,790	224,725	-	100,000	492,515
Special Assessments	-	5,305	-	-	5,305
Payments in Lieu of Taxes	-	-	192,993	-	192,993
Charges for Services	1,449,462	82,381	-	-	1,531,843
Fines, Licenses and Permits	403,005	36,279	-	-	439,284
Earnings on Investments	7,934	-	-	-	7,934
Miscellaneous	109,828	-	-	-	109,828
<i>Total Cash Receipts</i>	<u>4,840,235</u>	<u>900,536</u>	<u>192,993</u>	<u>100,000</u>	<u>6,033,764</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,675,008	672,178	-	-	2,347,186
Public Health Services	9,800	-	-	-	9,800
Leisure Time Activities	33,433	-	-	-	33,433
Community Environment	34,464	51,110	-	-	85,574
Basic Utility Services	2,192,657	-	-	-	2,192,657
Transportation	-	313,325	-	-	313,325
General Government	644,541	-	3,124	-	647,665
Capital Outlay	118,372	636,581	-	-	754,953
Debt Service:					
Principal Retirement	9,040	75,345	145,000	-	229,385
Interest and Fiscal Charges	-	400	63,811	-	64,211
<i>Total Cash Disbursements</i>	<u>4,717,315</u>	<u>1,748,939</u>	<u>211,935</u>	<u>-</u>	<u>6,678,189</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	122,920	(848,403)	(18,942)	100,000	(644,425)
Other Financing Receipts (Disbursements)					
Proceeds from Capital Lease	-	636,581	-	-	636,581
Sale of Capital Assets	6,592	-	-	283,000	289,592
Transfers-In	-	253,908	166,731	-	420,639
Transfers-Out	(420,639)	-	-	-	(420,639)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(414,047)</u>	<u>890,489</u>	<u>166,731</u>	<u>283,000</u>	<u>926,173</u>
<i>Net Change in Fund Cash Balances</i>	(291,127)	42,086	147,789	383,000	281,748
<i>Fund Cash Balances, January 1</i>	<u>704,254</u>	<u>303,846</u>	<u>626,987</u>	<u>-</u>	<u>1,635,087</u>
Fund Cash Balances, December 31					
Restricted	-	345,932	774,776	383,000	1,503,708
Assigned	489	-	-	-	489
Unassigned	412,638	-	-	-	412,638
<i>Fund Cash Balances, December 31</i>	<u>\$ 413,127</u>	<u>\$ 345,932</u>	<u>\$ 774,776</u>	<u>\$ 383,000</u>	<u>\$ 1,916,835</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 675,389	\$ -	\$ 675,389
<i>Total Operating Cash Receipts</i>	<u>675,389</u>	<u>-</u>	<u>675,389</u>
Operating Cash Disbursements			
Personal Services	211,806	-	211,806
Employee Fringe Benefits	80,676	-	80,676
Contractual Services	116,226	-	116,226
Supplies and Materials	126,524	-	126,524
<i>Total Operating Cash Disbursements</i>	<u>535,232</u>	<u>-</u>	<u>535,232</u>
<i>Operating Income (Loss)</i>	<u>140,157</u>	<u>-</u>	<u>140,157</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	26,000	-	26,000
Loans Issued	26,000	-	26,000
Capital Outlay	(52,000)	-	(52,000)
Principal Retirement	(54,287)	-	(54,287)
Interest and Fiscal Charges	(14,348)	-	(14,348)
Other Financing Sources	-	406,741	406,741
Other Financing Uses	-	(480,363)	(480,363)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(68,635)</u>	<u>(73,622)</u>	<u>(142,257)</u>
<i>Net Change in Fund Cash Balances</i>	71,522	(73,622)	(2,100)
<i>Fund Cash Balances, January 1</i>	<u>153,702</u>	<u>94,544</u>	<u>248,246</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 225,224</u>	<u>\$ 20,922</u>	<u>\$ 246,146</u>

See accompanying notes to the basic financial statements

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Lockland (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, sewer billing activities, trash collection, street maintenance and repair, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department for fire and emergency medical services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Levy Fund The Fire Levy Fund receives property taxes and charges for services revenue for providing fire protection primarily through a volunteer force to residents and businesses within the Village.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement Fund The General Obligation Bond Retirement Fund receives payments in lieu of taxes and is used to repay general obligation bonds.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Permanent Improvement Fund The Permanent Improvement Fund receives funds from the sale of Village real estate assets to be expended only for property acquisition and remediation and the purchase of equipment of equipment and apparatus, or other property, construction of infrastructure, roads and other public improvements or debt service by means of transfer to the appropriate bond, interest or retirement fund.

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 Fund:

Water Fund The Water Fund receives charges for services from consumers and accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the financial activity of the Village Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,254,848	\$ 4,846,827	\$ (408,021)
Special Revenue	2,277,526	1,791,025	(486,501)
Debt Service	355,731	359,724	3,993
Capital Projects	165,000	383,000	218,000
Enterprise	1,272,190	727,389	(544,801)
Total	\$ 9,325,295	\$ 8,107,965	\$ (1,217,330)

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,516,351	\$ 5,138,443	\$ 377,908
Special Revenue	2,296,950	1,748,939	548,011
Debt Service	260,891	211,935	48,956
Capital Projects	165,000	-	165,000
Enterprise	1,337,977	655,867	682,110
Total	\$ 9,577,169	\$ 7,755,184	\$ 1,821,985

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$1,751,964
Total deposits	1,751,964
STAR Ohio	411,017
Total investments	411,017
Total deposits and investments	\$2,162,981

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 2.1 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.

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (the latest information available).

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Assets	<u>\$31,448,315</u>

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$51,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP
\$80,787

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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, 2018.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Various Purpose Bonds, Series 2014	1,605,000	3.61%
OPWC Loan #CT11M	82,482	0.00%
OPWC Loan #CB02C	40,541	2.00%
OPWC Loan #CB22S	99,416	0.00%
OPWC Loan #CT66U	26,000	0.00%
OWDA Loan #4619	63,518	2.00%
OWDA Loan #4809	161,366	2.00%
OWDA Loan #4669	22,986	2.00%
OWDA Loan #5165	117,889	2.00%
OWDA Loan #5921	106,586	2.00%
OWDA Loan #6411	163,619	2.00%
Fire Truck Capital Lease	561,236	3.96%
Total	\$ 3,050,639	

During 2014 the Village issued \$1,980,000 of Various Purpose Bonds, Series 2014. The bonds are being repaid over a term of seventeen years. The outstanding portion of the bonds will mature on December 1 in various amounts ranging from \$105,000 in 2018 to \$165,000 in 2030. The bonds carry interest at 3.61 percent per annum, payable semi-annually on June 1 and December 1. Proceeds of the bonds provided \$805,000 for funding various projects and purchases of the Village with the remaining portion used to retire \$1,175,000 of Various Purpose Bond Anticipation Notes, Series 2013, issued during 2013.

The Ohio Public Works Commission (OPWC) loan #CT11M relates to the Lock Street Bridge Project. The OPWC approved \$109,977 for this project. The Village is repaying this loan in semi-annual payments of \$1,833, over 30 years. The final payment is due January, 2041.

The Ohio Public Works Commission (OPWC) loan #CB02C relates to water supply and treatment facilities improvements. The OPWC approved \$128,521 for this project. The Village is repaying this loan in semi-annual payments of \$3,914, including interest, over 20 years. The final payment is due January, 2024.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Ohio Public Works Commission (OPWC) loan #CB22S relates to the Anna Street and Hillside Avenue street reconstruction project. The OPWC approved \$107,477 for this project. The Village will repay this loan in semi-annual payments of \$2,687 over 20 years. The final payment due in January 2037.

The Ohio Public Works Commission (OPWC) loan #CT66U relates to the S. Cooper Avenue Water Main Replacement project. The OPWC approved a no interest \$196,500 loan for this project. As of December 31, 2018 the Village has drawn \$26,000 on the project loan. Amortization of this loan has not been established as the project is not finalized as of December 31, 2018.

The Ohio Water Development Authority (OWDA) loan #4619 relates to a waterline extension for Anthony Wayne. The OWDA approved \$94,844 for this project. The Village is repaying the loan in semi-annual installments of \$2,110, including interest, over 30 years. The final payment is due January, 2037.

The Ohio Water Development Authority (OWDA) loan #4809 relates to water treatment plant improvements and equipment. The OWDA approved \$307,581 for this project. The Village is repaying this loan in semi-annual payments of \$9,368, including interest, over 20 years. The final payment is due July, 2028.

The Ohio Water Development Authority (OWDA) loan #4669 relates to security cameras for the water treatment plant. The OWDA approved \$51,281 for this project. The Village is repaying this loan in semi-annual payments of \$1,562, including interest, over 20 years. The final payment is due January, 2027.

The Ohio Water Development Authority (OWDA) loan #5165 relates to water system equipment and upgrades. The OWDA approved \$196,885 for this project. The Village is repaying this loan in semiannual payments of \$5,996, including interest, over 20 years. The final payment is due January, 2030.

The Ohio Water Development Authority (OWDA) loan #5921 relates to water treatment plant improvements. The OWDA approved \$158,911 for this project. The Village is repaying this loan in semi-annual payments of \$4,840, including interest, over 20 years. The final payment is due July, 2031.

The Ohio Water Development Authority (OWDA) loan #6411 relates to water system improvements. The OWDA approved \$214,331 for this project. The Village is repaying this loan in semi-annual payments of \$6,528, including interest, over 20 years. The final payment is due July, 2033.

Leases

During 2018, the Village entered into a capital lease purchase agreement with Wells Fargo Bank for a new fire truck, in the amount of \$636,581. The Village is making annual payments of \$75,345, including interest at 3.96%, commencing in 2018 with the final payment due in 2027.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

Amortization of the above debt, including interest and excluding OPWC loan #CT66U, is scheduled as follows:

Year ending December 31:	Various Purpose Bond 2014	OPWC Loan #CT11M	OPWC Loan #CB02C	OPWC Loan #CB22S	OWDA Loan #4619	OWDA Loan #4809
2019	\$ 167,940	\$ 3,666	\$ 7,828	\$ 5,374	\$ 4,220	\$ 18,735
2020	163,969	3,666	7,828	5,374	4,219	18,735
2021	164,998	3,666	7,828	5,374	4,220	18,735
2022	165,847	3,666	7,828	5,374	4,219	18,735
2023	161,515	3,666	7,828	5,374	4,220	18,735
2024-2028	841,458	18,330	3,915	26,869	21,097	84,309
2029-2033	342,689	18,330	-	26,869	21,097	-
2034-2038	-	18,330	-	18,808	12,658	-
2039-2042	-	9,162	-	-	-	-
Total	\$2,008,416	\$ 82,482	\$ 43,055	\$ 99,416	\$ 75,950	\$ 177,984

Year ending December 31:	OWDA Loan #4669	OWDA Loan #5165	OWDA Loan #5921	OWDA Loan #6411	Fire Truck Capital Lease	Total
2019	\$ 3,124	\$ 11,992	\$ 9,679	\$ 13,055	\$ 75,345	\$ 320,958
2020	3,123	11,993	9,680	13,055	75,345	316,987
2021	3,124	11,992	9,679	13,055	75,345	318,016
2022	3,123	11,993	9,680	13,055	75,345	318,865
2023	3,124	11,992	9,679	13,055	75,345	314,533
2024-2028	9,371	59,963	48,397	65,276	301,380	1,480,365
2029-2033	-	11,992	24,198	58,749	-	503,924
2034-2038	-	-	-	-	-	49,796
2039-2042	-	-	-	-	-	9,162
Total	\$ 24,989	\$ 131,917	\$ 120,992	\$ 189,300	\$ 678,105	\$ 3,632,606

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Lockland
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 155,536	\$ 563,988	\$ -	\$ -	\$ 719,524
Municipal Income Tax	2,400,836	-	-	-	2,400,836
Intergovernmental	162,974	233,496	-	65,000	461,470
Special Assessments	-	1,156	-	-	1,156
Payments in Lieu of Taxes	-	-	144,207	-	144,207
Charges for Services	1,319,955	110,331	-	-	1,430,286
Fines, Licenses and Permits	803,969	44,059	-	-	848,028
Earnings on Investments	4,276	-	-	-	4,276
Miscellaneous	63,048	-	-	-	63,048
<i>Total Cash Receipts</i>	<u>4,910,594</u>	<u>953,030</u>	<u>144,207</u>	<u>65,000</u>	<u>6,072,831</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,913,097	676,752	-	-	2,589,849
Public Health Services	18,102	-	-	-	18,102
Leisure Time Activities	29,413	-	-	-	29,413
Community Environment	44,258	45,632	-	-	89,890
Basic Utility Services	1,376,636	-	-	-	1,376,636
Transportation	-	309,603	-	-	309,603
General Government	644,102	-	45,625	-	689,727
Capital Outlay	30,313	-	-	276,455	306,768
Debt Service:					
Principal Retirement	6,353	-	135,000	-	141,353
Interest and Fiscal Charges	-	-	69,321	-	69,321
<i>Total Cash Disbursements</i>	<u>4,062,274</u>	<u>1,031,987</u>	<u>249,946</u>	<u>276,455</u>	<u>5,620,662</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	848,320	(78,957)	(105,739)	(211,455)	452,169
Other Financing Receipts (Disbursements)					
Proceeds from OPWC Loan	-	-	-	92,977	92,977
Sale of Capital Assets	34,525	-	-	-	34,525
Transfers-In	-	188,001	160,161	118,478	466,640
Transfers-Out	(466,640)	-	-	-	(466,640)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(432,115)</u>	<u>188,001</u>	<u>160,161</u>	<u>211,455</u>	<u>127,502</u>
<i>Net Change in Fund Cash Balances</i>	416,205	109,044	54,422	-	579,671
<i>Fund Cash Balances, January 1</i>	<u>288,049</u>	<u>194,802</u>	<u>572,565</u>	<u>-</u>	<u>1,055,416</u>
Fund Cash Balances, December 31					
Restricted	-	303,846	626,987	-	930,833
Unassigned	704,254	-	-	-	704,254
<i>Fund Cash Balances, December 31</i>	<u>\$ 704,254</u>	<u>\$ 303,846</u>	<u>\$ 626,987</u>	<u>\$ -</u>	<u>\$ 1,635,087</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 594,280	\$ -	\$ 594,280
<i>Total Operating Cash Receipts</i>	<u>594,280</u>	<u>-</u>	<u>594,280</u>
Operating Cash Disbursements			
Personal Services	210,116	-	210,116
Employee Fringe Benefits	70,858	-	70,858
Contractual Services	147,568	-	147,568
Supplies and Materials	86,855	-	86,855
<i>Total Operating Cash Disbursements</i>	<u>515,397</u>	<u>-</u>	<u>515,397</u>
<i>Operating Income (Loss)</i>	<u>78,883</u>	<u>-</u>	<u>78,883</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(53,217)	-	(53,217)
Interest and Fiscal Charges	(15,417)	-	(15,417)
Other Financing Sources	-	927,110	927,110
Other Financing Uses	-	(908,136)	(908,136)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(68,634)</u>	<u>18,974</u>	<u>(49,660)</u>
<i>Net Change in Fund Cash Balances</i>	10,249	18,974	29,223
<i>Fund Cash Balances, January 1</i>	<u>143,453</u>	<u>75,570</u>	<u>219,023</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 153,702</u>	<u>\$ 94,544</u>	<u>\$ 248,246</u>

See accompanying notes to the basic financial statements

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Lockland (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, sewer billing activities, trash collection, street maintenance and repair, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department for fire and emergency medical services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Levy Fund The Fire Levy Fund receives property taxes and charges for services revenue for providing fire protection primarily through a volunteer force to residents and businesses within the Village.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement Fund The General Obligation Bond Retirement Fund receives payments in lieu of taxes and is used to repay general obligation bonds.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Anna and Hillside Street Fund The Anna and Hillside Street Fund received proceeds from various grants and an Ohio Public Works Commission loan to fund street construction and improvements along Hillside Avenue and Anna Street located within the Village.

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 Fund:

Water Fund The Water Fund receives charges for services from consumers and accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the financial activity of the Village Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,075,598	\$ 4,945,119	\$ (130,479)
Special Revenue	1,554,226	1,141,031	(413,195)
Debt Service	235,161	304,368	69,207
Capital Projects	276,455	276,455	-
Enterprise	678,250	594,280	(83,970)
Total	\$ 7,819,690	\$ 7,261,253	\$ (558,437)

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,121,989	\$ 4,528,914	\$ 593,075
Special Revenue	1,252,385	1,031,987	220,398
Debt Service	254,321	249,946	4,375
Capital Projects	276,455	276,455	-
Enterprise	739,777	584,031	155,746
Total	\$ 7,644,927	\$ 6,671,333	\$ 973,594

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$1,480,250
Total deposits	1,480,250
STAR Ohio	403,083
Total investments	403,083
Total deposits and investments	\$1,883,333

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Investments

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

Note 5 – Taxes

Property Taxes

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.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 2.1 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.

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Assets	<u>\$31,448,315</u>

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$51,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP
\$80,787

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Street Improvement Bond	\$ 40,000	5.20%
Various Purpose Bonds, Series 2014	1,710,000	3.61%
OPWC Loan #CT11M	86,148	0.00%
OPWC Loan #CB02C	47,454	2.00%
OPWC Loan #CB22S	104,790	0.00%
OWDA Loan #4619	66,424	2.00%
OWDA Loan #4809	176,644	2.00%
OWDA Loan #4669	25,610	2.00%
OWDA Loan #5165	127,381	2.00%
OWDA Loan #5921	114,022	2.00%
OWDA Loan #6411	173,257	2.00%
Total	\$ 2,671,730	

The Street Improvement Bond was issued in 1999 to finance street improvements. The bonds are being repaid over a term of twenty years. The outstanding portion of the bonds will mature on September 1, 2018. The bonds carry interest at 5.20 percent per annum, payable semi-annually on March 1 and September 1.

During 2014 the Village issued \$1,980,000 of Various Purpose Bonds, Series 2014. The bonds are being repaid over a term of seventeen years. The outstanding portion of the bonds will mature on December 1 in various amounts ranging from \$105,000 in 2018 to \$165,000 in 2030. The bonds carry interest at 3.61 percent per annum, payable semi-annually on June 1 and December 1. Proceeds of the bonds provided \$805,000 for funding various projects and purchases of the Village with the remaining portion used to retire \$1,175,000 of Various Purpose Bond Anticipation Notes, Series 2013, issued during 2013.

The Ohio Public Works Commission (OPWC) loan #CT11M relates to the Lock Street Bridge Project. The OPWC approved \$109,977 for this project. The Village is repaying this loan in semi-annual payments of \$1,833, over 30 years. The final payment is due January, 2041.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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The Ohio Public Works Commission (OPWC) loan #CB22S relates to the Anna Street and Hillside Avenue street reconstruction project. The OPWC approved \$107,477 for this project. The Village will repay this loan in semi-annual payments of \$2,687 over 20 years. The final payment due in January 2037.

The Ohio Water Development Authority (OWDA) loan #4619 relates to a waterline extension for Anthony Wayne. The OWDA approved \$94,844 for this project. The Village is repaying the loan in semi-annual installments of \$2,110, including interest, over 30 years. The final payment is due January, 2037.

The Ohio Water Development Authority (OWDA) loan #4809 relates to water treatment plant improvements and equipment. The OWDA approved \$307,581 for this project. The Village is repaying this loan in semi-annual payments of \$9,368, including interest, over 20 years. The final payment is due July, 2028.

The Ohio Water Development Authority (OWDA) loan #4669 relates to security cameras for the water treatment plant. The OWDA approved \$51,281 for this project. The Village is repaying this loan in semi-annual payments of \$1,562, including interest, over 20 years. The final payment is due January, 2027.

The Ohio Water Development Authority (OWDA) loan #5165 relates to water system equipment and upgrades. The OWDA approved \$196,885 for this project. The Village is repaying this loan in semiannual payments of \$5,996, including interest, over 20 years. The final payment is due January, 2030.

The Ohio Water Development Authority (OWDA) loan #5921 relates to water treatment plant improvements. The OWDA approved \$158,911 for this project. The Village is repaying this loan in semi-annual payments of \$4,840, including interest, over 20 years. The final payment is due July, 2031.

The Ohio Water Development Authority (OWDA) loan #6411 relates to water system improvements. The OWDA approved \$214,331 for this project. The Village is repaying this loan in semi-annual payments of \$6,528, including interest, over 20 years. The final payment is due July, 2033.

Village of Lockland, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization

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

Year ending December 31:	Street Improvement Bond	Various Purpose Bond 2014	OPWC Loan #CT11M	OPWC Loan #CB02C	OPWC Loan #CB22S	OWDA Loan #4619
2018	\$ 42,080	\$ 166,731	\$ 3,666	\$ 7,828	\$ 5,374	\$ 4,220
2019	-	167,940	3,666	7,828	5,374	4,219
2020	-	163,969	3,666	7,828	5,374	4,220
2021	-	164,998	3,666	7,828	5,374	4,219
2022	-	165,847	3,666	7,828	5,374	4,220
2023-2027	-	835,825	18,330	11,743	26,869	21,097
2028-2032	-	509,837	18,330	-	26,869	21,097
2033-2037	-	-	18,330	-	24,182	16,878
2038-2041	-	-	12,828	-	-	-
Total	<u>\$ 42,080</u>	<u>\$ 2,175,147</u>	<u>\$ 86,148</u>	<u>\$ 50,883</u>	<u>\$ 104,790</u>	<u>\$ 80,170</u>

Year ending December 31:	OWDA Loan #4809	OWDA Loan #4669	OWDA Loan #5165	OWDA Loan #5921	OWDA Loan #6411	Total
2018	\$ 18,735	\$ 3,123	\$ 11,993	\$ 9,680	\$ 13,055	\$ 286,485
2019	18,735	3,124	11,992	9,679	13,055	245,612
2020	18,735	3,123	11,993	9,680	13,055	241,643
2021	18,735	3,124	11,992	9,679	13,055	242,670
2022	18,735	3,123	11,993	9,680	13,055	243,521
2023-2027	93,676	12,495	59,963	48,397	65,276	1,193,671
2028-2032	9,368	-	23,984	33,877	65,276	708,638
2033-2037	-	-	-	-	6,528	65,918
2038-2041	-	-	-	-	-	12,828
Total	<u>\$ 196,719</u>	<u>\$ 28,112</u>	<u>\$ 143,910</u>	<u>\$ 130,672</u>	<u>\$ 202,355</u>	<u>\$ 3,240,986</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Lockland
Hamilton County
101 North Cooper Ave.
Lockland, Ohio 45215

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Lockland, Hamilton County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 13, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Controls Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-01 and 2018-02 to be material weaknesses.

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, opining 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 2018-03.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 13, 2019

Village of Lockland, Ohio
Hamilton County
Schedule of Findings
December 31, 2018 and 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-01

Material Weakness - Effective Bank Reconciliations

The Village's bank reconciliations did not effectively or accurately identify reconciling items that represent differences between bank balances and the balances recorded within the accounting system. As of December 31, 2017 the reconciliation reflected bank balances that exceeded the balance recorded in the accounting system by \$60,654. At December 31, 2018, the variance totaled \$69,898. The cause of these variances were not identified as part of the bank reconciliation procedures initially applied by the Village.

The Village did make adjustments to the 2018 draft financial statements presented for audit by recording an estimate of what was believed to have caused the December 31, 2018 variance. Receipts were posted to the General Fund and Water Fund to eliminate the \$69,898 variance.

Subsequently to completing the draft of the financial statements, the Village performed additional procedures to identify the actual causes of the variances. Based on the results of the additional procedures, audit adjustments have been made to the audited financial statements for both 2017 and 2018 to incorporate the proper reporting of these items in the proper funds, receipt line items and years.

We recommend that the Village implement control procedures to ensure that monthly bank reconciliations are prepared timely and accurately and that they properly identify any reconciling adjustments to be made. In addition, a review and formal approval of the monthly reconciliations should be performed by someone independent of the person preparing the reconciliation.

Village's Response

The Village had a change in finance personnel during 2018 and is working to implement procedures to ensure bank reconciliations are properly prepared, reviewed and approved on a timely basis.

FINDING NUMBER 2018-02

Material Weakness - Financial Reporting

We identified misstatements in the financial statements that were not initially identified by the Village's internal control. Audit adjustments were necessary to correct errors in the Village's financial statements. The adjustments made are as follows:

The following adjustments resulted in changes to individual fund cash balances:

- As a result of the performing additional reviews of bank reconciliation variances as discussed above, audit adjustments totaling \$60,654 were made to the 2017 financial statements to properly report bank reconciling items that applied to 2017. For 2018, the effects of the 2017 adjustments on beginning 2018 balances and additional audit adjustments totaling \$9,244 were made to properly report bank reconciling items.

These adjustments resulted in a cumulative effect on the December 31, 2018 individual fund cash balances of increasing the General Fund by \$780, increasing the Street Construction Maintenance and Repair Fund by \$3,244, increasing the Fire Levy Fund by \$9,818 and decreasing the Water Fund by \$13,842.

The following adjustments resulted in changes to classification of receipts and expenditures or recording offsetting amounts and did not result in changes to individual fund cash balances:

- Audit adjustments for 2017 totaling \$13,412 were necessary to properly report property tax receipts at gross amounts in the General Fund, Fire Levy Fund and Street Improvement Bond Fund. The Village had reported receipt amounts net of related expenses that were deducted by the County.
- For 2018, a reclassification entry totaling \$29,034 was made to properly classify property rollback and homestead receipts as intergovernmental in the General Fund. The Village had recorded the receipts as property and other local taxes.
- During 2018, the Village entered into a capital lease. Audit adjustments were made to record lease proceeds and capital related expenditures in the Fire Levy Fund totaling \$636,581.
- For 2018 a reclassification entry was made to record payments on a capital lease totaling \$75,745 as principal and interest expense. The Village had initially reported the expenditure as a capital outlay expense in the Fire Levy Fund.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Village's Response

The Village will attempt to correct the recording of these items in the future.

FINDING NUMBER 2018-03

Noncompliance - Certification of Fund Availability

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the

“then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2018 and 2017, 18 percent of purchase orders tested were not properly certified prior to incurring the obligation or were not approved by ordinance or resolution when a then and now certificate for purchases of \$3,000 or more was made.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used and Council must approve then and now certificates for purchases of \$3,000 or more.

Village’s Response

The Village will attempt to ensure certifications are properly performed in the future.

Village of Lockland, Ohio
Hamilton County
Summary Schedule of Prior Audit Findings
December 31, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-01	Bank reconciliations did not effectively or accurately identify bank balances.	Not Corrected	Repeated as finding 2018-01.
2016-02	Audit adjustments - misstatements in the financial statements that were not initially identified by the Village's internal control.	Not Corrected	Repeated as finding 2018-02.
2016-03	Proper certification of fund availability.	Not Corrected	Repeated as finding 2018-03.

OHIO AUDITOR OF STATE
KEITH FABER



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
AUGUST 22, 2019**