



Mary Taylor, CPA
Auditor of State

VILLAGE OF LOCKLAND
HAMILTON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lockland
Hamilton County
101 North Cooper Avenue
Lockland, Ohio 45215

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lockland, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lockland, Hamilton County, Ohio, as of December 31, 2008 and 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, the Street Construction Maintenance and Repair Fund and the Clean Ohio Grant Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

December 20, 2010

Village of Lockland – Hamilton County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
Unaudited

This discussion and analysis of the Village of Lockland's financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2008 and 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights are as follows:

Net assets of governmental activities increased in 2007 by \$323,721 or 49 percent, but decreased by \$35,368 or 4 percent in 2008, which represented a significant change from the prior year. In 2007, the fund most affected by the increase in cash and cash equivalents was the General Fund, due to fewer transfers out and an increase to the Clean Ohio Grant Fund balance on hand, while in 2008, the funds most affected by the change in cash and cash equivalents was a slight increase to the General Fund due to increased revenues and receipts out pacing expenses along with a significant decrease to the Clean Ohio Grant Fund balance as the grant funds were expended.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 11 and 39 percent in 2008 and 10 and 34 percent in 2007 of the total cash received for governmental activities during the year. Property and other local taxes increased \$41,134 or 7% from 2006 to 2007. Income tax receipts increased \$131,192 or 7% from 2006 to 2007 and increased \$164,229 or 8% from 2007 to 2008.

The water operation, the Village's lone business-type activity, net assets increased \$95,099 or 112% from 2006 to 2007 and decreased by \$74,902 or 42% from 2007 to 2008. Fund balances were appropriated for much needed maintenance and capital improvements. During 2006, the Village closed the Sewer Fund as the Village was serving in the capacity of a billing agent for Cincinnati Water Works.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the

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Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2008 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, volunteer fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity - The Village has one business-type activity, the provision of water. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the Street Construction Maintenance and Repair Fund, the Clean Ohio Grant Fund, the General Obligation Bond Retirement Fund and the MRF I-75 IMS Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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Proprietary Fund – When the Village charges customers for the services it provides, these services are generally reported in the proprietary fund. The Village has one enterprise fund, the water fund.

Fiduciary Fund – The fiduciary fund is used to account for resources held for the benefit of parties outside the Village. The fiduciary fund is not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 and 2007 compared to 2006 on a cash basis:

(Table 1.A)

Net Assets

Governmental Activities

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>2006</u>	<u>Variance</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$946,727	\$982,095	(\$35,368)	\$658,374	\$323,721
Net Assets					
Restricted for:					
Debt Service	\$114,443	\$96,299	\$18,144	\$55,735	\$40,564
Other Purposes	534,114	675,906	(141,792)	605,803	70,103
Unrestricted	298,170	209,890	88,280	(3,164)	213,054
Total Net Assets	<u>\$946,727</u>	<u>\$982,095</u>	<u>(\$35,368)</u>	<u>\$658,374</u>	<u>\$323,721</u>

(Table 1.B)

Net Assets

Business - Type Activities

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>2006</u>	<u>Variance</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$105,371	\$180,273	(\$74,902)	\$85,174	\$95,099
Net Assets					
Unrestricted	<u>105,371</u>	<u>180,273</u>	<u>(74,902)</u>	<u>85,174</u>	<u>95,099</u>
Total Net Assets	<u>\$105,371</u>	<u>\$180,273</u>	<u>(\$74,902)</u>	<u>\$85,174</u>	<u>\$95,099</u>

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As mentioned previously, net assets of governmental activities increased in 2007 by \$323,721 or 49 percent, but decreased by \$35,368 or 4 percent in 2008. The primary reasons contributing to the increase in cash balances are as follows:

- In 2007, the General Fund had fewer transfers out. General Fund net transfers out were \$336,707 less in 2007 than in 2006 due primarily to larger debt service transfers in 2006.
- In November, 2006, Village residents passed a Fire Levy which eliminated general fund transfers for operating costs of the fire department. In 2006, the Village transferred over one-half of the operating cost of the fire department operation.
- In 2007 and 2008, the Village received additional state grants which were included in the Special Revenue Funds of the Village.
- In 2007 and 2008, the Village received higher Court fine distributions from the Village of Lockland Mayor's Court.
- In 2007 and 2008, the Village received higher Property and other tax revenues.
- In 2007, the Village had increased grant funds on hand in the Clean Ohio Grant Fund.
- In 2008, the General Fund had increased revenues and receipts out pacing expenses.
- In 2008, there was a significant decrease to the Clean Ohio Grant Fund balance as the grant funds were expended.

Net assets in the business type activities decreased mainly due to upgrades and maintenance cost.

Table 2 reflects the changes in net assets on a cash basis in 2008, 2007 and 2006 for governmental activities and business-type activities.

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(Table 2.A)
Changes in Net Assets

Governmental Activities

	2008	2007	Variance	2006	Variance
Receipts:					
Program Receipts:					
Charges for Services and Sales	\$1,760,261	\$1,658,943	\$101,318	\$1,326,398	\$332,545
Operating Grants and Contributions	634,387	1,288,277	(653,890)	390,981	897,296
Capital Grants and Contributions	133,237		133,237	15,000	(15,000)
Total Program Receipts	<u>2,527,885</u>	<u>2,947,220</u>	<u>(419,335)</u>	<u>1,732,379</u>	<u>1,214,841</u>
General Receipts:					
Property and Other Local Taxes	603,056	602,617	439	561,483	41,134
Municipal Income Taxes	2,140,969	1,976,740	164,229	1,845,548	131,192
Grants and Entitlements not					
Restricted to Specific Programs	117,548	31,197	86,351	112,694	(81,497)
Payment in Lieu of Taxes	60,759	80,710	(19,951)		80,710
Loan Proceeds			0	162,946	(162,946)
Miscellaneous	71,224	124,053	(52,829)	200,073	(76,020)
Total General Receipts	<u>2,993,556</u>	<u>2,815,317</u>	<u>178,239</u>	<u>2,882,744</u>	<u>(67,427)</u>
Total Receipts	<u>5,521,441</u>	<u>5,762,537</u>	<u>(241,096)</u>	<u>4,615,123</u>	<u>1,147,414</u>
Disbursements:					
General Government	615,111	670,019	(54,908)	650,871	19,148
Security of Persons and Property	2,352,882	2,003,379	349,503	2,034,243	(30,864)
Public Health Services	3,005		3,005	3,525	(3,525)
Leisure Time Activities	31,824	29,200	2,624	17,965	11,235
Community Environment	775,927	1,074,287	(298,360)	284,098	790,189
Basic Utility Services	1,204,204	1,136,925	67,279	989,348	147,577
Transportation	404,915	331,589	73,326	249,027	82,562
Capital Outlay			0	78,198	(78,198)
Debt Service:					
Principal Retirement	132,626	150,863	(18,237)	145,000	5,863
Interest and Fiscal Charges	36,315	42,554	(6,239)	63,714	(21,160)
Total Disbursements	<u>5,556,809</u>	<u>5,438,816</u>	<u>117,993</u>	<u>4,515,989</u>	<u>922,827</u>
Excess Before Transfers	(35,368)	323,721	(359,089)	99,134	224,587
Transfers			0	175,041	(175,041)
Change in Net Assets	<u>(35,368)</u>	<u>323,721</u>	<u>(359,089)</u>	<u>274,175</u>	<u>49,546</u>
Net Assets Beginning of Year	982,095	658,374	323,721	384,199	274,175
Net Assets, End of Year	<u>\$946,727</u>	<u>\$982,095</u>	<u>(\$35,368)</u>	<u>\$658,374</u>	<u>\$323,721</u>

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Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
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(Table 2.B)
Changes in Net Assets

Business-Type Activities

	2008	2007	Variance	2006	Variance
Receipts:					
Program Receipts:					
Charges for Services and Sales	\$510,234	\$552,063	(\$41,829)	\$567,748	(\$15,685)
Total Program Receipts	<u>510,234</u>	<u>552,063</u>	<u>(41,829)</u>	<u>567,748</u>	<u>(15,685)</u>
General Receipts:					
Loan Proceeds	227,724	131,138	96,586		131,138
Miscellaneous	8,639	7,330	1,309	95,422	(88,092)
Total General Receipts	<u>236,363</u>	<u>138,468</u>	<u>97,895</u>	<u>95,422</u>	<u>43,046</u>
Total Receipts	<u>746,597</u>	<u>690,531</u>	<u>56,066</u>	<u>663,170</u>	<u>27,361</u>
Disbursements:					
Water	821,499	595,432	226,067	709,360	(113,928)
Sewer	0	0	0	108,605	(108,605)
Total Disbursements	<u>821,499</u>	<u>595,432</u>	<u>226,067</u>	<u>817,965</u>	<u>(222,533)</u>
Excess Before Transfers	(74,902)	95,099	(170,001)	(154,795)	249,894
Transfers			0	(175,041)	175,041
Change in Net Assets	<u>(74,902)</u>	<u>95,099</u>	<u>(170,001)</u>	<u>(329,836)</u>	<u>424,935</u>
Net Assets Beginning of Year	<u>180,273</u>	<u>85,174</u>	<u>95,099</u>	<u>415,010</u>	<u>(329,836)</u>
Net Assets, End of Year	<u>\$105,371</u>	<u>\$180,273</u>	<u>(\$74,902)</u>	<u>\$85,174</u>	<u>\$95,099</u>

Governmental Activities Program receipts represent 46% in 2008 and 51% in 2007 of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges.

Governmental Activities General receipts represent 54% in 2008 and 49% in 2007 of the Village's total receipts. Payments in Lieu of Taxes, state and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Governmental Activities Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the fiscal officer, treasurer, and income tax collection, as well as internal services such as payroll and purchasing. General Government disbursements represent 11% in 2008 and 12% in 2007 of total disbursements of the governmental activities.

Governmental Activities Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department, which is contracted by Hamilton County Health Department; Leisure Time Activities are the costs of maintaining the parks and summer recreation and sports programs; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 14 (for 2008) and 24 (for 2007), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing

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these services. The major program disbursements for governmental activities are for security of persons and property and basic utility services. Security of persons and property disbursements account for \$2,352,882 or 42% and \$2,003,379 or 37% of total expenditures of all governmental disbursements in 2008 and 2007 respectively. Basic utility services disbursements account for \$1,204,204 or 22% and \$1,136,925 or 21% of total expenditures of all governmental disbursements in 2008 and 2007, respectively. General government also represents a significant cost, about 11% of total governmental disbursements in 2008 and 12% in 2007.

The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$615,111	(\$63,273)	\$670,019	(\$214,632)	\$650,871	(\$285,292)
Security of Persons and Property	2,352,882	(\$2,057,944)	\$2,003,379	(\$1,820,826)	\$2,034,243	(\$1,950,524)
Public Health Services	3,005	79,034		95,394	3,525	81,089
Leisure Time Activities	31,824	(24,106)	29,200	(26,734)	17,965	(15,924)
Community Environment	775,927	(275,727)	1,074,287	80,934	284,098	(9,713)
Basic Utilities	1,204,204	(349,362)	1,136,925	(287,143)	989,348	(282,793)
Transportation	404,915	(168,605)	331,589	(125,172)	249,027	(33,541)
Capital Outlay					78,198	(78,198)
Principal Retirement	132,626	(132,626)	150,863	(150,863)	145,000	(145,000)
Interest and Fiscal Charges	36,315	(36,315)	42,554	(42,554)	63,714	(63,714)
Total Expenses	<u>\$5,556,809</u>	<u>(\$3,028,924)</u>	<u>\$5,438,816</u>	<u>(\$2,491,596)</u>	<u>\$4,515,989</u>	<u>(\$2,783,610)</u>

The dependence upon property and income tax receipts is apparent as approximately 50 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water operation of the Village is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age however the Village has recently undertaken several OWDA projects related to water system planning and water treatment plant improvements and equipment.

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The Government's Funds

Total governmental funds had receipts of \$5,521,441 and \$5,762,537 in 2008 and 2007 respectively. Total governmental funds had disbursements of \$5,556,809 and \$5,438,816 in 2008 and 2007 respectively. The greatest changes within governmental funds occurred within the General Fund which received increased income tax and court fine revenues and the Clean Ohio Grant Fund which received significant grant monies which were spent prior to December 31, 2008.

General Fund receipts were more than disbursements by \$88,280 and \$213,052 in 2008 and 2007 respectively. The General Fund year end balances were \$298,170 and \$209,890 in 2008 and 2007 respectively.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2008 and 2007, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were higher than original budgeted receipts due to additional collections of income taxes and court fines in both years.

The difference between final budgeted receipts and actual receipts was not significant.

During 2008 and 2007, Final disbursements, excluding transfers, were budgeted at \$3,646,364 and \$3,435,556 respectively while actual disbursements were \$3,585,829 and \$3,381,688 respectively. The appropriation increases were generally within the increased budgeted receipts identified during the year. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2008, the Village's governmental activities outstanding debt totaled \$469,456 and included four obligations for the previous acquisition of real estate, street improvements, the purchase of police cruisers and the purchase of an ambulance. No new debt was issued in the governmental funds during 2008. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

At December 31, 2008, the Village's business-type activities outstanding debt totaled \$539,455 and included four obligations for facility improvements, water system extension, the purchase of security cameras and water treatment plant improvements and equipment for loans obtained through the Ohio Public Works Commission and the Ohio Water Development Authority. During 2008, a water system planning loan was paid in full. Proceeds for the water treatment plant improvements and equipment loan was received in part during 2007 and 2008.

The Village leases buildings, vehicles and other equipment as discussed in Note 11.

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Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Currently, the Village's fund balances have remained consistent from year to year.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Krista Blum, Financial Services Manager, Village of Lockland, 101 North Cooper Avenue, Lockland, Ohio 45215.

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Village of Lockland
Hamilton County
Statement of Net Assets - Cash Basis
December 31, 2008

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$946,727</u>	<u>\$105,371</u>	<u>\$1,052,098</u>
Net Assets			
Restricted for:			
Debt Service	114,443		114,443
Other Purposes	534,114		534,114
Unrestricted	<u>298,170</u>	<u>105,371</u>	<u>403,541</u>
<i>Total Net Assets</i>	<u>\$946,727</u>	<u>\$105,371</u>	<u>\$1,052,098</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$615,111	\$551,838	\$0	\$0
Security of Persons and Property	2,352,882	164,096	52,605	78,237
Public Health Services	3,005	82,039		
Leisure Time Activities	31,824	7,718		
Community Environment	775,927	21,056	479,144	
Basic Utility Services	1,204,204	854,842		
Transportation	404,915	78,672	102,638	55,000
Debt Service:				
Principal Retirement	132,626			
Interest and Fiscal Charges	36,315			
<i>Total Governmental Activities</i>	5,556,809	1,760,261	634,387	133,237
Business Type Activity				
Water	821,499	510,234		
Total	\$6,378,308	\$2,270,495	\$634,387	\$133,237

General Receipts

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Payments in Lieu of Taxes
Loan Proceeds
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$63,273)	\$0	(\$63,273)
(2,057,944)	0	(2,057,944)
79,034	0	79,034
(24,106)	0	(24,106)
(275,727)	0	(275,727)
(349,362)	0	(349,362)
(168,605)	0	(168,605)
(132,626)	0	(132,626)
<u>(36,315)</u>	<u>0</u>	<u>(36,315)</u>
(3,028,924)	0	(3,028,924)
<u>0</u>	<u>(311,265)</u>	<u>(311,265)</u>
<u>(3,028,924)</u>	<u>(311,265)</u>	<u>(3,340,189)</u>
603,056		603,056
2,140,969		2,140,969
117,548		117,548
60,759		60,759
	227,724	227,724
<u>71,224</u>	<u>8,639</u>	<u>79,863</u>
2,993,556	236,363	3,229,919
(35,368)	(74,902)	(110,270)
<u>982,095</u>	<u>180,273</u>	<u>1,162,368</u>
<u>\$946,727</u>	<u>\$105,371</u>	<u>\$1,052,098</u>

**Village of Lockland
Hamilton County**
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Street Construction, Maintenance and Repair	Clean Ohio Grant	General Obligation Bond Retirement	MRF I-75 IMS	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$298,170	\$168,038	\$0	\$115,576	\$129,751	\$235,192	\$946,727
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$2,278	\$77				\$3,818	\$6,173
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	295,892						295,892
Special Revenue Funds		167,961				176,665	344,626
Debt Service Fund				115,576		(1,133)	114,443
Capital Projects Funds					129,751	55,842	185,593
<i>Total Fund Balances</i>	<u>\$298,170</u>	<u>\$168,038</u>	<u>\$0</u>	<u>\$115,576</u>	<u>\$129,751</u>	<u>\$235,192</u>	<u>\$946,727</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Street Construction, Maintenance and Repair	Clean Ohio Grant	General Obligation Bond Retirement	MRF I-75 IMS	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$2,140,969	\$0	\$0	\$0	\$0	\$0	\$2,140,969
Property and Other Local Taxes	253,662	128,636				231,318	613,616
Charges for Services	941,685					82,039	1,023,724
Fines, Licenses and Permits	604,618					54,655	659,273
Intergovernmental	110,689	132,848	470,386			182,299	896,222
Special Assessments						55,654	55,654
Payments in Lieu of Taxes				60,759			60,759
Miscellaneous	64,155					7,069	71,224
<i>Total Receipts</i>	<u>4,115,778</u>	<u>261,484</u>	<u>470,386</u>	<u>60,759</u>	<u>0</u>	<u>613,034</u>	<u>5,521,441</u>
Disbursements							
Current:							
General Government	615,111						615,111
Security of Persons and Property	1,659,432					693,450	2,352,882
Public Health Services	3,005						3,005
Leisure Time Activities	31,824						31,824
Community Environment	69,975		620,958			84,994	775,927
Basic Utility Services	1,204,204						1,204,204
Transportation		404,915					404,915
Debt Service:							
Principal Retirement				25,000		107,626	132,626
Interest and Fiscal Charges				22,904		13,411	36,315
<i>Total Disbursements</i>	<u>3,583,551</u>	<u>404,915</u>	<u>620,958</u>	<u>47,904</u>	<u>0</u>	<u>899,481</u>	<u>5,556,809</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>532,227</u>	<u>(143,431)</u>	<u>(150,572)</u>	<u>12,855</u>	<u>0</u>	<u>(286,447)</u>	<u>(35,368)</u>
Other Financing Sources (Uses)							
Transfers In		120,084				323,863	443,947
Transfers Out	(443,947)						(443,947)
<i>Total Other Financing Sources (Uses)</i>	<u>(443,947)</u>	<u>120,084</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>323,863</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	88,280	(23,347)	(150,572)	12,855	0	37,416	(35,368)
<i>Fund Balances Beginning of Year</i>	<u>209,890</u>	<u>191,385</u>	<u>150,572</u>	<u>102,721</u>	<u>129,751</u>	<u>197,776</u>	<u>982,095</u>
<i>Fund Balances End of Year</i>	<u>\$298,170</u>	<u>\$168,038</u>	<u>\$0</u>	<u>\$115,576</u>	<u>\$129,751</u>	<u>\$235,192</u>	<u>\$946,727</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$2,036,041	\$2,086,041	\$2,140,969	\$54,928
Property and Other Local Taxes	233,280	231,584	253,662	22,078
Charges for Services	790,600	840,600	941,685	101,085
Fines, Licenses and Permits	466,000	566,000	604,618	38,618
Intergovernmental	131,662	131,662	110,689	(20,973)
Miscellaneous	64,000	64,000	64,155	155
<i>Total receipts</i>	<u>3,721,583</u>	<u>3,919,887</u>	<u>4,115,778</u>	<u>195,891</u>
Disbursements				
Current:				
General Government	652,430	640,350	617,389	22,961
Security of Persons and Property	1,499,386	1,665,253	1,659,432	5,821
Public Health Services	3,304	3,304	3,005	299
Leisure Time Activities	31,824	31,824	31,824	0
Community Environment	84,595	84,595	69,975	14,620
Basic Utility Services	1,044,552	1,221,038	1,204,204	16,834
<i>Total Disbursements</i>	<u>3,316,091</u>	<u>3,646,364</u>	<u>3,585,829</u>	<u>60,535</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>405,492</u>	<u>273,523</u>	<u>529,949</u>	<u>256,426</u>
Other Financing Sources (Uses)				
Loan Proceeds	17,000	17,000		(17,000)
Transfers Out	(407,344)	(443,947)	(443,947)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(390,344)</u>	<u>(426,947)</u>	<u>(443,947)</u>	<u>(17,000)</u>
<i>Net Change in Fund Balance</i>	15,148	(153,424)	86,002	239,426
<i>Fund Balance Beginning of Year</i>	242,717	242,717	209,118	(33,599)
Prior Year Encumbrances Appropriated	772	772	772	0
<i>Fund Balance End of Year</i>	<u>\$258,637</u>	<u>\$90,065</u>	<u>\$295,892</u>	<u>\$205,827</u>

See accompanying notes to the basic financial statements

Village of Lockland

Hamilton County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

Street Construction, Maintenance and Repair Fund

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$100,000	\$100,000	\$128,636	\$28,636
Intergovernmental	171,201	286,811	132,848	(153,963)
<i>Total receipts</i>	<u>271,201</u>	<u>386,811</u>	<u>261,484</u>	<u>(125,327)</u>
Disbursements				
Current:				
Transportation	415,330	422,730	404,915	17,815
<i>Total Disbursements</i>	<u>415,330</u>	<u>422,730</u>	<u>404,915</u>	<u>17,815</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(144,129)</u>	<u>(35,919)</u>	<u>(143,431)</u>	<u>(107,512)</u>
Other Financing Sources (Uses)				
Transfers In	120,000	120,000	120,084	84
<i>Total Other Financing Sources (Uses)</i>	<u>120,000</u>	<u>120,000</u>	<u>120,084</u>	<u>84</u>
<i>Net Change in Fund Balance</i>	(24,129)	84,081	(23,347)	(107,428)
<i>Fund Balance Beginning of Year</i>	24,129	24,129	191,385	167,256
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$108,210</u>	<u>\$168,038</u>	<u>\$59,828</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Clean Ohio Grant Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	<u>\$825,001</u>	<u>\$825,001</u>	<u>\$470,386</u>	<u>(\$354,615)</u>
<i>Total receipts</i>	<u>825,001</u>	<u>825,001</u>	<u>470,386</u>	<u>(354,615)</u>
Disbursements				
Current:				
Community Environment	<u>775,573</u>	<u>775,573</u>	<u>620,958</u>	<u>154,615</u>
<i>Total Disbursements</i>	<u>775,573</u>	<u>775,573</u>	<u>620,958</u>	<u>154,615</u>
<i>Net Change in Fund Balance</i>	<u>49,428</u>	<u>49,428</u>	<u>(150,572)</u>	<u>(200,000)</u>
<i>Fund Balance Beginning of Year</i>	193,669	193,669	150,572	(43,097)
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$243,097</u>	<u>\$243,097</u>	<u>\$0</u>	<u>(\$243,097)</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
December 31, 2008

	<u>Business-Type Activities</u>
	<u>Water Operating</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$105,371</u>
Net Assets	
Unrestricted	<u>\$105,371</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis*
Proprietary Fund
For the Year Ended December 31, 2008

	<u>Business-Type Activities</u>
	<u>Water Operating</u>
Operating Receipts	
Charges for Services	\$510,234
<i>Total Operating Receipts</i>	<u>510,234</u>
 Operating Disbursements	
Personal Services	166,652
Fringe Benefits	82,156
Contractual Services	66,706
Materials and Supplies	104,498
Other	17,500
<i>Total Operating Disbursements</i>	<u>437,512</u>
<i>Operating Income (Loss)</i>	72,722
 Non-Operating Receipts (Disbursements)	
Loan Proceeds	227,724
Miscellaneous Receipts	8,639
Capital Outlay	(330,210)
Principal Payments	(18,896)
Interest and Fiscal Charges	(34,881)
<i>Change in Net Assets</i>	<u>(74,902)</u>
<i>Net Assets Beginning of Year</i>	180,273
<i>Net Assets End of Year</i>	<u>\$105,371</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$33,976</u>
Net Assets	
Unrestricted	<u>\$33,976</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$982,095	\$180,273	\$1,162,368
Net Assets			
Restricted for:			
Debt Service	96,299		96,299
Other Purposes	675,906		675,906
Unrestricted	209,890	180,273	390,163
<i>Total Net Assets</i>	\$982,095	\$180,273	\$1,162,368

See accompanying notes to the basic financial statements

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Village of Lockland
Hamilton County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$670,019	\$424,439	\$30,948	\$0
Security of Persons and Property	2,003,379	182,553		
Public Health Services		95,394		
Leisure Time Activities	29,200	2,466		
Community Environment	1,074,287	30,955	1,124,266	
Basic Utility Services	1,136,925	849,782		
Transportation	331,589	73,354	133,063	
Debt Service:				
Principal Retirement	150,863			
Interest and Fiscal Charges	42,554			
<i>Total Governmental Activities</i>	5,438,816	1,658,943	1,288,277	0
Business Type Activity				
Water	595,432	552,063		
Total	\$6,034,248	\$2,211,006	\$1,288,277	\$0

General Receipts

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Payments in Lieu of Taxes
Loan Proceeds
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$214,632)	\$0	(\$214,632)
(1,820,826)		(1,820,826)
95,394		95,394
(26,734)		(26,734)
80,934		80,934
(287,143)		(287,143)
(125,172)		(125,172)
(150,863)		(150,863)
(42,554)		(42,554)
(2,491,596)	0	(2,491,596)
0	(43,369)	(43,369)
(2,491,596)	(43,369)	(2,534,965)
602,617		602,617
1,976,740		1,976,740
31,197		31,197
80,710		80,710
124,053	131,138	131,138
2,815,317	7,330	131,383
2,815,317	138,468	2,953,785
323,721	95,099	418,820
658,374	85,174	743,548
\$982,095	\$180,273	\$1,162,368

Village of Lockland
Hamilton County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Street Construction, Maintenance and Repair	Clean Ohio Grant	General Obligation Bond Retirement	MRF I-75 IMS	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$209,890	\$191,385	\$150,572	\$102,721	\$129,751	\$197,776	\$982,095
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$772					\$20,359	\$21,131
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	209,118						209,118
Special Revenue Funds		191,385	150,572			182,997	524,954
Debt Service Fund				102,721		(6,422)	96,299
Capital Projects Funds					129,751	842	130,593
<i>Total Fund Balances</i>	<u>\$209,890</u>	<u>\$191,385</u>	<u>\$150,572</u>	<u>\$102,721</u>	<u>\$129,751</u>	<u>\$197,776</u>	<u>\$982,095</u>

See accompanying notes to the basic financial statements

**Village of Lockland
Hamilton County**
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Street Construction, Maintenance and Repair	Clean Ohio Grant	General Obligation Bond Retirement	MRF I-75 IMS	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$1,976,740	\$0	\$0	\$0	\$0	\$0	\$1,976,740
Property and Other Local Taxes	226,691	123,473				232,993	583,157
Charges for Services	903,939					89,021	992,960
Fines, Licenses and Permits	468,540					44,021	512,561
Intergovernmental	166,048	133,063	762,780			429,820	1,491,711
Special Assessments						645	645
Payments in Lieu of Taxes				80,710			80,710
Miscellaneous	121,621					2,432	124,053
Total Receipts	3,863,579	256,536	762,780	80,710	0	798,932	5,762,537
Disbursements							
Current:							
General Government	670,019						670,019
Security of Persons and Property	1,476,633					526,746	2,003,379
Leisure Time Activities	29,200						29,200
Community Environment	68,139		612,208			393,940	1,074,287
Basic Utility Services	1,136,925						1,136,925
Transportation		331,589					331,589
Debt Service:							
Principal Retirement				20,000		130,863	150,863
Interest and Fiscal Charges				18,565		23,989	42,554
Total Disbursements	3,380,916	331,589	612,208	38,565	0	1,075,538	5,438,816
Excess of Receipts Over (Under) Disbursements	482,663	(75,053)	150,572	42,145	0	(276,606)	323,721
Other Financing Sources (Uses)							
Transfers In						269,611	269,611
Transfers Out	(269,611)						(269,611)
Total Other Financing Sources (Uses)	(269,611)	0	0	0	0	269,611	0
Net Change in Fund Balances	213,052	(75,053)	150,572	42,145	0	(6,995)	323,721
Fund Balances Beginning of Year	(3,162)	266,438	0	60,576	129,751	204,771	658,374
Fund Balances End of Year	\$209,890	\$191,385	\$150,572	\$102,721	\$129,751	\$197,776	\$982,095

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$1,840,000	\$1,964,000	\$1,976,740	\$12,740
Property and Other Local Taxes	232,790	232,790	226,691	(6,099)
Charges for Services	825,938	838,322	903,939	65,617
Fines, Licenses and Permits	376,800	476,800	468,540	(8,260)
Intergovernmental	131,662	131,662	166,048	34,386
Miscellaneous	60,000	60,000	121,621	61,621
<i>Total receipts</i>	<u>3,467,190</u>	<u>3,703,574</u>	<u>3,863,579</u>	<u>160,005</u>
Disbursements				
Current:				
General Government	666,494	694,294	670,791	23,503
Security of Persons and Property	1,363,603	1,480,003	1,476,633	3,370
Public Health Services	3,252	3,252		3,252
Leisure Time Activities	29,997	29,997	29,200	797
Community Environment	73,638	73,938	68,139	5,799
Basic Utility Services	1,030,354	1,154,072	1,136,925	17,147
<i>Total Disbursements</i>	<u>3,167,338</u>	<u>3,435,556</u>	<u>3,381,688</u>	<u>53,868</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>299,852</u>	<u>268,018</u>	<u>481,891</u>	<u>213,873</u>
Other Financing Sources (Uses)				
Transfers Out	(276,968)	(276,968)	(269,611)	7,357
<i>Total Other Financing Sources (Uses)</i>	<u>(276,968)</u>	<u>(276,968)</u>	<u>(269,611)</u>	<u>7,357</u>
<i>Net Change in Fund Balance</i>	22,884	(8,950)	212,280	221,230
<i>Fund Balance Beginning of Year</i>	80,429	80,429	(6,086)	(86,515)
Prior Year Encumbrances Appropriated	2,924	2,924	2,924	0
<i>Fund Balance End of Year</i>	<u>\$106,237</u>	<u>\$74,403</u>	<u>\$209,118</u>	<u>\$134,715</u>

See accompanying notes to the basic financial statements

**Village of Lockland
Hamilton County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$120,000	\$120,000	\$123,473	\$3,473
Intergovernmental	146,762	146,762	133,063	(13,699)
<i>Total receipts</i>	<u>266,762</u>	<u>266,762</u>	<u>256,536</u>	<u>(10,226)</u>
Disbursements				
Current:				
Transportation	284,159	371,872	331,589	40,283
<i>Total Disbursements</i>	<u>284,159</u>	<u>371,872</u>	<u>331,589</u>	<u>40,283</u>
<i>Net Change in Fund Balance</i>	<u>(17,397)</u>	<u>(105,110)</u>	<u>(75,053)</u>	<u>30,057</u>
<i>Fund Balance Beginning of Year</i>	118,999	118,999	266,438	147,439
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$101,602</u>	<u>\$118,999</u>	<u>\$191,385</u>	<u>\$177,496</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Clean Ohio Grant Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$90,719	\$840,719	\$762,780	(\$77,939)
<i>Total receipts</i>	90,719	840,719	762,780	(77,939)
Disbursements				
Current:				
Community Environment	89,401	839,401	612,208	227,193
<i>Total Disbursements</i>	89,401	839,401	612,208	227,193
<i>Net Change in Fund Balance</i>	1,318	1,318	150,572	149,254
<i>Fund Balance Beginning of Year</i>	75,551	75,551	0	(75,551)
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	\$76,869	\$76,869	\$150,572	\$73,703

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
December 31, 2007

	<u>Business-Type Activities</u>
	<u>Water Operating</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$180,273</u>
Net Assets	
Unrestricted	<u>\$180,273</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis*
Proprietary Fund
For the Year Ended December 31, 2007

	<u>Business-Type Activities</u>
	<u>Water Operating</u>
Operating Receipts	
Charges for Services	\$552,063
<i>Total Operating Receipts</i>	<u>552,063</u>
 Operating Disbursements	
Personal Services	155,424
Fringe Benefits	81,823
Contractual Services	68,745
Materials and Supplies	89,957
<i>Total Operating Disbursements</i>	<u>395,949</u>
<i>Operating Income (Loss)</i>	156,114
 Non-Operating Receipts (Disbursements)	
Loan Proceeds	131,138
Miscellaneous Receipts	7,330
Capital Outlay	(180,495)
Principal Payments	(12,402)
Interest and Fiscal Charges	(6,586)
<i>Change in Net Assets</i>	<u>95,099</u>
<i>Net Assets Beginning of Year</i>	<u>85,174</u>
<i>Net Assets End of Year</i>	<u>\$180,273</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$59,645</u>
Net Assets	
Unrestricted	<u>\$59,645</u>

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

The Village of Lockland, Hamilton County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village has no component units.

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise fund. Following are the more significant of the Village's accounting policies.

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash and cash equivalents balances governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, the Street Construction Maintenance and Repair Fund, the Clean Ohio Grant Fund, the General Obligation Bond Retirement Fund and the MRF I-75 IMS Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village does not have any internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major and only enterprise fund is the Water Fund.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Fiduciary Funds

The Village's Fiduciary fund includes an agency fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the Mayor's Court, which accounts for all fines and forfeiture receipts and disbursements of the Mayor's Court for violation of ordinances within the Village limits.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

Village records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During 2008 and 2007, the Village invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008 and 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

The Village's governmental infrastructure assets were not capitalized.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Note 2 – Summary of Significant Accounting Policies (continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, the Street Construction Maintenance and Repair Fund, and the Clean Ohio Grant Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) for 2008 amounted to \$2,278 for the General Fund and \$77 for the Street Construction Maintenance and Repair Fund and the encumbrances outstanding at year end (budgetary basis) for 2007 amounted to \$772 for the General Fund.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 4 – Deposits and Investments (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At year end 2008, \$446,036 of the Village's bank balance of \$696,036 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. At year end 2007, \$894,005 of the Village's bank balance of \$994,005 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2008 and 2007, the Village had the following investments:

	2008	2007	
	<u>Carrying Value</u>	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$393,938	\$384,100	Average
		<u>Investment Maturities (in Years)</u>	
	2008		
<u>Investment Type</u>	<u>Carrying Value</u>		<u>Less than 1 Year</u>
STAR Ohio	\$393,938		\$393,938
	2007		
<u>Investment Type</u>	<u>Carrying Value</u>		<u>Less than 1 Year</u>
STAR Ohio	\$384,100		\$384,100

The Village's investment policy is limited to complying with state statute.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy relating to investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 5 – Income Taxes

The Village levies a 2.1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 2.1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay and file a final return annually.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Village operations for the year ended December 31, 2008, was \$7.52 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$52,907,300
Public Utility Property	4,193,150
Tangible Personal Property	3,226,420
Total Assessed Values	<u>\$60,326,870</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 7 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the Village contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Wells Fargo Insurance Company	Commercial Property	\$7,002,609
	General Liability	2,000,000
	Public Officials	2,000,000
	Police Professional	2,000,000
	Vehicle	2,000,000
Hartford Insurance Group	Errors and Omissions	250,000
Walter P. Dolle Insurance Co.	Public Officials	25,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2008 and 2007, members in state and local classifications contributed 10 and 9.5 percent respectively, of covered payroll, public safety and law enforcement members contributed 10.1 and 9.75 percent respectively.

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 8 – Defined Benefit Pension Plans (continued)

By Village of Lockland Ordinance 2001-46, the Village authorized that for each full-time (non-police officer) employee of the Village as of December 31, 2001, shall receive the full amount of the statutorily required contributions to OPERS shall be paid by the Village as part of a contribution pick-up. Full-time (non-police officer) employees hired subsequent to December 31, 2001, shall have 4.5% of their salary deducted and deposited by the Village into OPERS as their employee contribution or part thereof in accordance with state law. Should employee contributions be required in excess of 4.5% of salary, the Village shall paid the additional amount as part of a contribution pick-up.

The Village's contribution rate for 2008 and 2007 was 14 and 13.85 percent, respectively, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 17.40 and 17.17 percent, respectively of covered payroll. For the period January 1 through December 30, 2008, a portion of the Village's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment healthcare plan. For 2007, the portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007.

Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$211,650, \$184,987, and \$126,687 respectively. The full amount has been contributed for 2008, 2007 and 2006.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2008 and 2007, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2008, 2007, and 2006 were \$211,649, \$167,345, and \$215,541. The full amount has been contributed for 2008, 2007 and 2006.

By Village of Lockland Ordinance 2001-46, the Village authorized that each full-time police officer on the Village Police Force as of December 31, 2001 shall have deducted from their pay one half of one percent (0.5%) of their salary as part of their employee contribution and the remainder shall be contributed by the Village as part of a contribution pick-up. Employees hired subsequent to December 31, 2001 do not receive this pick-up paid by the Village.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008 and 2007, local government employers contributed 14 and 13.85 percent respectively of covered payroll (17.40 and 17.17 percent respectively for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll from January 1 through December 30, 2008. For the next 7 years this amount is assumed to increase .50-4 percent. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$14,815, \$12,949 and \$8,868 respectively. The full amount has been contributed for 2008, 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 9 - Postemployment Benefits (continued)

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent for police employers.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the years ended December 31, 2008 and 2007, the employer contribution allocated to the healthcare plan was .346 percent for police of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$14,286 for the year ended December 31, 2008, \$11,295 for the year ended December 31, 2007, and \$14,548 for the year ended December 31, 2006. The full amount has been contributed for 2008, 2007, and 2006.

Note 10 – Debt

The Village's long-term debt activity for the years ended December 31, 2008 and 2007 was as follows:

	Interest Rate	Balance 1/1/07	Additions	Reductions	Balance 12/31/07	Due Within One Year
Governmental Activities						
Real Estate Acquisition Note \$500,000	4.25%	\$225,000	\$0	\$100,000	\$125,000	\$75,000
Street Improvement Bond \$500,000	4.7-7.0%	365,000	0	20,000	345,000	20,000
Police Cruisers Note \$57,946	5.6%	57,945	0	18,258	39,687	19,296
Ambulance Note \$105,000	5.67%	105,000	0	12,605	92,395	13,330
Total Governmental Activities		<u>\$752,945</u>	<u>\$0</u>	<u>\$150,863</u>	<u>\$602,082</u>	<u>\$132,626</u>

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 10 – Debt (continued)

Business-type Activities

OPWC Facilities Improvement \$128,521	2%	\$112,347	\$0	\$5,609	\$106,738	\$5,722
OWDA Loan 4619 Extension \$94,844	2%	94,844	0	2,335	92,509	2,381
OWDA Loan 2773 Water System Planning \$23,500	0%	4,700	0	2,350	2,350	2,350
OWDA Loan 4669 Security Cameras \$51,281	2%	0	51,281	2,108	49,173	2,151
OWDA Loan 4809 WTP Improv & Equip \$307,581	2%	0	79,857	0	79,857	6,292
Total Business-type Activities		\$211,891	\$131,138	\$12,402	\$330,627	\$18,896

	Interest Rate	Balance 1/1/08	Additions	Reductions	Balance 12/31/08	Due Within One Year
<u>Governmental Activities</u>						
Real Estate Acquisition Note \$500,000	4.25%	\$125,000	\$0	\$75,000	\$50,000	\$50,000
Street Improvement Bond \$500,000	4.7-7.0%	345,000	0	20,000	320,000	25,000
Police Cruisers Note \$57,946	5.6%	39,687	0	19,296	20,391	20,391
Ambulance Note \$105,000	5.67%	92,395	0	13,330	79,065	14,096
Total Governmental Activities		\$602,082	\$0	\$132,626	\$469,456	\$109,487

Business-type Activities

OPWC Facilities Improvement \$128,521	2%	\$106,738	\$0	\$5,722	\$101,016	\$5,779
OWDA Loan 4619 Extension \$94,844	2%	92,509	0	2,381	90,128	2,405
OWDA Loan 2773 Water System Planning \$23,500	0%	2,350	0	2,350	0	0
OWDA Loan 4669 Security Cameras \$51,281	2%	49,173	0	2,151	47,022	2,172
OWDA Loan 4809 WTP Improv & Equip \$307,581	2%	79,857	227,724	6,292	301,289	12,646
Total Business-type Activities		\$330,627	\$227,724	\$18,896	\$539,455	\$23,002

Governmental

Real Estate Acquisition Notes, Series 2004

In May, 2004, the Village received proceeds to pay off the real estate acquisition bond anticipation note. Payments of principal and interest are due annually. The Acquisition Notes are backed by the full faith and credit of the Village. The final payment is due May, 2009. The original acquisition of real estate was made in 2000.

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 10 – Debt (continued)

Street Improvement Bond

In 1999, the Village issued bonds to finance street improvements. The loan will be repaid over a term of 20 years. For the remaining term principal payments are due annually ranging from \$25,000 in 2009 gradually increasing to \$40,000 in 2018. Interest payments are due semi-annually and the principal is do not subject to early redemption. The final payment is due in September, 2018.

Police Cruisers Note

In July, 2006, the Village obtained a loan for the purchase of police cruisers. The loan is being repaid through semi-annual principal and interest payments. The final payment is due July, 2009.

Ambulance Note

In October, 2006, the Village obtained a loan for the purchase of an ambulance. The loan is being repaid through semi-annual principal and interest payments. The final payment is due October, 2013.

Business Type

Ohio Public Works Commission (OPWC) Facilities Improvement

In 2003, the Village received a loan for the maintenance and repair to the Lockland Water System. The loan is being repaid through semi-annual principal and interest payments. The final payment is due January, 2024. The loan is being repaid from the Village's Water Fund.

Ohio Water Development Authority (OWDA) Loans

These loans are being repaid from the Village's Water Fund and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

OWDA Loan 4619 – This loan was obtained in 2006 for waterline extensions. The loan is being repaid through semi-annual principal and interest payments. The final payment is due January, 2037.

OWDA Loan 2773 – This loan was obtained in 1999 for water system planning. The loan was repaid in annual installments and the final payment was made prior to July, 2008.

OWDA Loan 4669 – This loan was obtained in 2006 for the purchase of security cameras. The loan is being repaid through semi-annual principal and interest payments. The final payment is due January, 2027.

OWDA Loan 4809 – This loan was obtained in 2008 for Water Treatment Plan improvements and equipment. The loan is being repaid through semi-annual principal and interest payments. The final payment is due July, 2028.

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 10 – Debt (continued)

The following is a summary of the Village's future annual debt service requirements:

Governmental

Year	Real Estate Acquisition Note		Street Improvement Bond		Police Cruisers Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$50,000	\$2,125	\$25,000	\$16,415	\$20,391	\$860
2010			25,000	15,190		
2011			25,000	13,940		
2012			30,000	12,678		
2013			30,000	11,148		
2014–2018			185,000	29,622		
Totals	<u>\$50,000</u>	<u>\$2,125</u>	<u>\$320,000</u>	<u>\$98,993</u>	<u>\$20,391</u>	<u>\$860</u>

Year	Ambulance Note		Governmental Total	
	Principal	Interest	Principal	Interest
2009	\$14,096	\$4,286	\$109,487	\$23,686
2010	14,907	3,475	39,907	18,665
2011	15,764	2,618	40,764	16,558
2012	16,670	1,712	46,670	14,389
2013	17,628	753	47,628	11,901
2014–2018			185,000	29,623
Totals	<u>\$79,065</u>	<u>\$12,844</u>	<u>\$469,456</u>	<u>\$114,822</u>

Business Type

Year	OPWC Loan		OWDA Loans		Business Type Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$5,779	\$2,049	\$17,224	\$8,854	\$23,003	\$10,903
2010	5,895	1,933	17,570	8,508	23,465	10,441
2011	6,014	1,814	17,923	8,155	23,937	9,970
2012	6,135	1,694	18,283	7,795	24,418	9,488
2013	6,258	1,570	18,651	7,427	24,909	8,998
2014–2018	33,229	5,913	99,030	31,361	132,259	37,274
2019–2023	36,706	2,436	109,391	21,000	146,096	23,436
2024–2028	1,000	39	108,731	9,602	116,023	9,641
2029–2033			18,638	2,460	12,346	2,460
2034–2037			12,998	573	12,998	573
Totals	<u>\$101,016</u>	<u>\$17,448</u>	<u>\$438,439</u>	<u>\$105,735</u>	<u>\$539,455</u>	<u>\$123,184</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008 and 2007, were an overall debt margin of \$453,649 and \$507,974 respectively and an unvoted debt margin of \$453,649 and \$507,974 respectively.

Village of Lockland – Hamilton County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007
(Continued)

Note 11 – Leases

The Village leases buildings, vehicles and other equipment under non-cancelable leases. During 2008 and 2007, the Village disbursed \$68,058 and \$51,731 respectively to pay lease costs. Future lease payments are as follows:

Year	Amount
2009	\$68,058
2010	46,807
2011	18,281
Total	\$133,146

Note 12 – Interfund Transfers

During 2008 and 2007, the following transfers were made:

	2008	2007
Transfers from the General Fund to:		
Major Governmental Funds	\$120,084	\$0
Other Governmental Funds	323,863	269,611
Total Transfers from the General Fund	\$443,947	\$269,611

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 13 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

Note 14 – Related Party Transactions

The Village of Lockland has a related party, named the Lockland Community Improvement Corporation. The Community Improvement Corporation is organized as a business league to advance, promote and encourage the industrial, commercial, distribution and research development of Lockland. It acts as an agent for the Village of Lockland. The Corporation is a not-for-profit business league exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

Note 15 – Subsequent Events

The Village applied and received a low interest loan from the Ohio Water Development Authority for purchase of capital items for the water system. The loan amount is \$196,000 at 2% interest. The Village will make semi-annual payments plus interest over a period of 20 years. Debt Service will be paid from revenue of the water fund.



Mary Taylor, CPA

Auditor of State

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

Village of Lockland
Hamilton County
101 North Cooper Avenue
Lockland, Ohio 45215

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 20, 2010, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001, 2008-003 and 2008-005 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe findings number 2008-001, 2008-003 and 2008-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 20, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 20, 2010.

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

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



Mary Taylor, CPA
Auditor of State

December 20, 2010

VILLAGE OF LOCKLAND
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance/Material Weakness

Ohio Rev. Code, Section 733.28, states that the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived there from, and of all taxes and assessments.

In addition, **Ohio Admin. Code, Section 117-2-02(A)**, states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The following items were noted from review of the Village's financial records for 2008 and 2007:

- The Financial Services Manager did not prepare accurate and timely cash reconciliations for all bank accounts during 2008 and 2007. In addition there were reconciling items used on the reconciliations to balance the book to the bank that had no supporting documentation. The Uniform Accounting Network (UAN) Reconciliation reports show that the Village only posted 11 months of reconciliations for 2008 and 2007. In 2008, 6 months of reconciliations were posted to the system in December 2008, and in 2007, 9 months of reconciliations were posted to the system in December 2007.
- Local government revenue and state and local government highway distributions intended for the General Fund totaling \$55,182, and the Street Construction Maintenance and Repair Fund totaling \$17,992, received during the last six months of 2007 were not posted to the Village's accounting records during 2007, but were posted as fund balance adjustments in 2008. Reclassifications were necessary to report the activity in the appropriate year.
- Special items revenue totaling \$40,941 in 2008 and \$8,235 in 2007 in the General Fund, and \$27,077 in 2008 in Special Revenue Funds should have been recorded as Miscellaneous Revenue. Other financing sources totaling \$61,811 in 2007 in the General Fund should have been recorded as Miscellaneous Revenue, and in 2008 \$13,103 and \$27,077 recorded as other financing sources in the General Fund and Street Fund, respectively, should have been recorded as OWDA debt proceeds in the Water Fund.
- Personal property tax receipts totaling \$4,239, received in September, 2007, were not posted to the Village's accounting records for the Fire Fund (Other Governmental Funds), and Intergovernmental revenue totaling \$2,916, received in June, 2007, was not posted to the Village's accounting records for the General Fund.
- In 2008, the Village posted duplicate receipts relating to permissive tax revenue totaling \$15,819 in the Street Construction Maintenance and Repair Fund.
- Homestead and Rollback revenues totaling \$18,347 in 2008 and \$15,023 in 2007 were receipted in the General Fund and should have been recorded in the Fire Fund (Other Governmental Funds).
- Clean Ohio grant funds totaling \$470,386 in 2008, and \$675,000 in 2007, and the related expenditures of \$620,958 in 2008 and \$524,428 in 2007 were not recorded on the Village's accounting records in the Clean Ohio Grant Fund.

**FINDING NUMBER 2008-001
(Continued)**

- Principal debt payments were recorded as interest expense in the GO Bond Retirement Fund in the amount of \$27,336 in 2008 and \$21,581 in 2007, and in the Enterprise Fund in the amount of \$18,896 in 2008 and \$12,402 in 2007.
- Ambulance service revenue totaling \$82,039 in 2008 and \$89,021 in 2007 was posted as special assessment revenue instead of charges for services revenue in the Other Governmental Funds.
- Fines and costs totaling \$51,325 in 2008 and \$44,021 in 2007 received from the Mayor's Court were posted as intergovernmental revenue instead of fines, licenses and permits revenue in the Other Governmental Funds. Fines, license and permit revenue totaling \$3,330 was posted to the General Fund in 2008 and it should have been recorded in the Computer Fund and the Drug Fund in the amount of \$2,280 and \$1,050, respectively.
- Unrecorded encumbrances were identified at December 31, 2007 totaling \$5,966 and \$10,626 for the Enterprise Fund and Other Governmental Funds (Other Debt Service Fund) respectively.
- The payroll posting for the period ending November 26, 2008 was understated by \$642 and the payroll posting for the period ending January 18, 2007 was overstated by \$2,409. No adjustments were posted for these items.

As a result of these errors, receipts for certain line items and funds were incorrectly reported on the Annual Report. Significant audit adjustments were made to individual line items and funds on the financial statements and accounting records.

Failure to accurately prepare the accounting records reduces the accountability over Village funds reduces Council's ability to monitor financial activity, and increases the likelihood that the Village's financial statements will be misstated. We recommend that the Village use due care in posting all revenues and disbursements of the Village.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution and reported on the financial statements. We recommend that the Financial Services Manager properly reconcile the Village accounts on a monthly basis. We also recommend that Council or an appointee of Council, review and sign off on the reconciliation thereby indicating approval and promoting timeliness of reconciliations. Failure to accurately reconcile the accounting records with the bank balances reduces the accountability over Villages funds and, increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner. In addition, the Village should adopt procedures for the review of the monthly financial statements/reports showing activity posted to the accounting records including beginning and ending fund balances, as well as the review of the activity posted to the financial statements.

Officials' Response:

The Village was unable to prepare accurate and timely reconciliations due to two embezzlements discovered in 2007, errors in posting, and audit adjustments received after the close of both years. The Village is aware that timely reconciliations postings are crucial to the accountability of Village funds and will work to correct this issue in future years.

FINDING NUMBER 2008-002

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

Of 60 expenditures tested, 18 out of 30 in 2008 (60%) and 18 out of 30 in 2007 (60%) were not properly certified by the Fiscal Officer and none of the exceptions above applied. Additionally, subsequent to December 31, 2007, two expenditures totaling \$16,591 were identified which were outstanding obligations as of December 31, 2007 and should have been encumbered prior to year end. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 obligation by the Village. When prior certification is not possible, "then and now" certification should be used with the proper approval by Council for amounts over \$3,000.

**FINDING NUMBER 2008-002
 (Continued)**

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

The Village plans to implement the "Then and Now" Certificate. Every effort will be made to properly utilize the encumbrance method by certifying funds on purchase orders.

FINDING NUMBER 2008-003

Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-02(A), states all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities(if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Review of Mayor's Court bank statements and activity ledgers for 2008 and 2007 disclosed that complete, timely book-to-bank reconciliations were not being performed for the entire two year period, and the administrative fees incurred and interest earned on the account were not included on the reconciliations or recorded on the activity ledgers. On December 3, 2008, the Mayor's Court transferred \$52,289 to the Village's general bank account; however the amount which should have been remitted was \$43,879. Therefore, as of December 31, 2008, the Village General Fund owed the Mayor's Court bank account \$8,410. Additionally, based on a review of the bank reconciliation at December 31, 2008, the Court bank account does not reflect \$2,244 which is due for distribution in 2009, and if all of the bank administrative fees were included in the reconciliation and recorded on the activity ledgers the Mayor's Court account cash balance could potentially be negative thus resulting in checks written or outstanding to be returned by the bank due to insufficient available funds.

We identified the following conditions and the related corrections required to address the conditions. As a result of these conditions the December 31, 2008 Agency fund balance was understated by \$10,654. These amounts are not material to the financial statements therefore adjustments were not made to the financial statements or to the accounting records.

Condition	Effect on Village December 31, 2008 Agency fund balance (rounded to the dollar)
The Mayor's Court mistakenly transferred an excessive amount to the Village General bank account and General Fund in December, 2008. The Village corrected this on November 4, 2009 by transferring \$8,410 from the general bank account to the mayor's court account.	\$8,410
The Mayor's Court outstanding distributions as of December 31, 2008 are more than the reconciled bank account shows. This amount does not include unrecorded administrative fees or interest earned for the account.	\$2,244
Total	\$10,654

**FINDING NUMBER 2008-003
(Continued)**

The Mayor's Court maintains a check book in which monthly checks are written, however, a perpetual book balance is not maintained. We recommend that a Mayor's Court book balance be established and maintained following all deposits, withdrawals, bank fees, etc. This would provide an amount to reconcile to what the bank balance shows at the end of each month.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been properly posted to the bank, and that all transactions with the bank have been recorded to their records. Failure to post all transactions and to reconcile the book balance to the bank balance on a regular basis increases the risk of unauthorized or inaccurate transactions, undetected errors, and loss or misappropriation of funds occurring without timely detection.

We recommend that complete reconciliations be prepared on a monthly basis, including all fees and interest, to reconcile the carrying value and the outstanding bonds or open items listings to the bank balance and the Village's accounting system. We also recommend that a person independent of the Mayor's Court day-to-day operations review and approve the Mayor's Court bank reconciliations and that Council to approve the Mayor's court monthly reports by acknowledging such approval in their monthly Council meetings.

We also recommend that Village Council should determine if additional charges need to be implemented to address administrative fees being incurred by the Mayor's Court or they will need to consider transferring funds from the general fund to the Mayor's Court accounts before checks start to bounce. The Village also needs to adopt a policy to either factor in these bank charges into people fees and fines or how the Village will reimburse the Mayor's Court for the fees being incurred in the Mayor's Court accounts. These policies would help maintain a \$0 balance for the Mayor's Court regular checking account. Failure of the Village to do this could result in continued negative bank balances leading to the potential for the Mayor's Court to bounce checks and create more fees.

Officials' Response:

The Village attempted to reconcile the Mayors Court Account but was unable to do so due the embezzlement by the Mayors Court Clerk that required a Special Audit that lasted 15 months. The current Mayors Court Clerk is reconciling on a monthly basis and the Mayors Court Account is reviewed by the Village Administrator monthly. Any and all fees charged to the Mayors Court Account in error are being corrected on a timely basis to insure to maintain a \$0 balance in the Mayors Court Account.

FINDING NUMBER 2008-004

Noncompliance

Ohio Rev. Code, Section 149.351, states that no public record shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, Section 149.38 to 149.42.

The Village could not locate information for several payroll liability items shown on the bank reconciliations as noted in Finding 2008-001, nor could the 2007 Form 941's be located for review. Payroll documentation to demonstrate that timely termination payments were made for two employees leaving service with the Village was not available for review.

The Village did not attach or maintain all support documentation, including remittances, relating to all intergovernmental receipts received by the Village for 2008 and 2007 as noted in Finding 2008-001.

**FINDING NUMBER 2008-004
(Continued)**

To provide for the appropriate retention of Village records, we recommend that the Village maintain all receipt documentation and employee records as established by the records commission.

Officials' Response:

Due to the embezzlement and tampering with records the Village was unable to provide certain documents. The Village has implemented an appropriate retention of Village Records.

FINDING NUMBER 2008-005

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data. Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect the receipts, disbursements, assets and liabilities of the Village. As a result, the records maintained by the Village were not an accurate reflection of all moneys received and expended by the Village.

The following exceptions were noted:

- Because of the lack of segregation of duties due to a small staff and inadequate procedures, the Village Financial Services Manager has the ability to make cash disbursements with little oversight. Generally, checks were stamped with the Treasurer's name and only one signature is required on checks issued.
- In addition, there is no management or Council oversight of the financial activity posted to the accounting records and financial statements.

These exceptions increase the risk that errors, theft, or fraud could occur, as well as, the potential for errors in posting Village activity to the accounting records and financial statements that may not be detected in a timely manner.

The Village should have adequate procedures in place to ensure that all disbursements are properly authorized by someone other than the person responsible for making the disbursement. To reduce the risk of material misstatement to the financial statement and to provide a management review of the Village's finance function, we recommend that Council review and approve monthly financial statements (or reports) prepared by the Financial Services Manager showing beginning fund balances, monthly receipt totals, monthly expense totals and ending fund balances. We also recommend that Council or the Village Administrator approve a list of bills/payments to indicate review and approval.

**FINDING NUMBER 2008-005
(Continued)**

Officials' Response:

Unopened bank statements from all Village accounts are given to the Village Administrator for review, signed off on and returned to the Finance Manager for reconciliation. The Village Administrator and Council are given a payment register along with a monthly financial report for their review. These are distributed with the monthly Council packet.

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**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Provide independent oversight of Disbursement Activity	No	Reissued as finding 2008-005
2006-002	Reconcile Bank Statements Monthly	No	Reissued as finding 2008-001
2006-003	Provide Proper Control Over Billing/Management Approval of Adjustments - Enterprise Fund	Yes	
2006-004	Provide Proper Control and Oversight Over the Payroll Function	No	Reported in the Management Letter for 2008 & 2007.
2006-005	Ohio Rev. Code Section 5705.36 regarding budgeted receipts exceeded actual receipts.	Yes	
2006-006	Ohio Rev. Code Section 5705.39 regarding appropriations exceeding estimated resources.	Yes	
2006-007	Ohio Rev. Code Section 5705.10 regarding negative fund balances.	Yes	
2006-008	Ohio Rev. Code Section 5705.41(D) regarding lack of certification of availability of funds.	No	Reissued as finding 2008-002
2006-009	Ohio Rev, Code, Section 135.21 regarding Unallocated Interest to Monies Held for the Treasury of Other Subdivisions	Yes	
2006-010	Ohio Rev. Code Section 117.38 regarding Financial Report not Filed within 60 days of the Fiscal Year End	Yes	
2006-011	Ohio Rev. Code Section 117-2-02(d) regarding Inadequate Detail of Capital Assets.	Yes	
2006-012	Ohio Revised Code, Section 135.14(b)(7) regarding Education Requirement for the Clerk Treasurer not met.	Yes	
2006-013	Policies Not Established Over Cell Phone, Credit Cards and Vehicles Usage as required by the Ohio Revised Code	No	Reported in the Management Letter for 2008 & 2007.
2006-014	Policies Not Established Over Travel Reimbursement as required by Ohio Rev. Code Section 102.03(d) and (e).	Yes	

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Mary Taylor, CPA
Auditor of State

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
JANUARY 4, 2011**