



Dave Yost • Auditor of State

VILLAGE OF LOCKLAND
HAMILTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Lockland
Hamilton County
101 North Cooper Ave.
Lockland, OH. 45215
To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Lockland, Hamilton County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lockland, Hamilton County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Lockland adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2014

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**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$171,146	\$288,444	\$0	\$0	\$459,590
Municipal Income Tax	2,232,305				2,232,305
Intergovernmental	173,816	422,271		30,000	626,087
Special Assessments		1,015			1,015
Charges for Services	1,189,564	88,701			1,278,265
Fines, Licenses and Permits	657,944				657,944
Earnings on Investments	239				239
Payment in Lieu of Taxes			205,001		205,001
Miscellaneous	58,567	5,200			63,767
<i>Total Cash Receipts</i>	<u>4,483,581</u>	<u>805,631</u>	<u>205,001</u>	<u>30,000</u>	<u>5,524,213</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,781,661	655,965			2,437,626
Public Health Services	29,099				29,099
Leisure Time Activities	40,628	38,563			79,191
Community Environment	47,038	18,410			65,448
Basic Utility Services	1,588,845				1,588,845
Transportation		362,621			362,621
General Government	694,251	24,800			719,051
Capital Outlay		45,095		27,000	72,095
Debt Service:					
Principal Retirement			36,339		36,339
Interest and Fiscal Charges			96,697		96,697
<i>Total Cash Disbursements</i>	<u>4,181,522</u>	<u>1,145,454</u>	<u>133,036</u>	<u>27,000</u>	<u>5,487,012</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>302,059</u>	<u>(339,823)</u>	<u>71,965</u>	<u>3,000</u>	<u>37,201</u>
Other Financing Receipts (Disbursements)					
Debt Proceeds	99,191				99,191
Transfers In	95,000	355,916	56,709		507,625
Transfers Out	(394,343)	(18,282)	(95,000)		(507,625)
Advances In	176,457	48,865			225,322
Advances Out	(48,865)	(176,457)			(225,322)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(72,560)</u>	<u>210,042</u>	<u>(38,291)</u>	<u>0</u>	<u>99,191</u>
<i>Net Change in Fund Cash Balances</i>	229,499	(129,781)	33,674	3,000	136,392
<i>Fund Cash Balances, January 1</i>	<u>425,189</u>	<u>368,691</u>	<u>308,538</u>	<u>10,593</u>	<u>1,113,011</u>
Fund Cash Balances, December 31					
Restricted	0	238,910	342,212	13,593	594,715
Unassigned (Deficit)	654,688	0	0	0	654,688
<i>Fund Cash Balances, December 31</i>	<u>\$654,688</u>	<u>\$238,910</u>	<u>\$342,212</u>	<u>\$13,593</u>	<u>\$1,249,403</u>

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$630,034	\$0	\$630,034
<i>Total Operating Cash Receipts</i>	630,034	0	630,034
Operating Cash Disbursements			
Personal Services	195,601		195,601
Employee Fringe Benefits	92,199		92,199
Contractual Services	74,664		74,664
Supplies and Materials	94,596		94,596
Other	4,514		4,514
<i>Total Operating Cash Disbursements</i>	461,574	0	461,574
<i>Operating Income (Loss)</i>	168,460	0	168,460
Non-Operating Receipts (Disbursements)			
Debt Proceeds	124,728		124,728
Miscellaneous Receipts			0
Other Non-Operating Receipts		808,005	808,005
Capital Outlay	(245,495)		(245,495)
Interest and Other Fiscal Charges	(34,939)		(34,939)
Other Non-Operating Disbursements		(819,908)	(819,908)
<i>Total Non-Operating Receipts (Disbursements)</i>	(155,706)	(11,903)	(167,609)
<i>Income (Loss) before Advances</i>	12,754	(11,903)	851
Advances Out			0
<i>Net Change in Fund Cash Balances</i>	12,754	(11,903)	851
<i>Fund Cash Balances, January 1</i>	29,331	52,942	82,273
<i>Fund Cash Balances, December 31</i>	\$42,085	\$41,039	\$83,124

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$209,841	\$306,005	\$0	\$0	\$515,846
Municipal Income Tax	2,160,172				2,160,172
Intergovernmental	121,604	422,997		419,220	963,821
Special Assessments		975			975
Charges for Services	1,168,392	100,433			1,268,825
Fines, Licenses and Permits	749,654				749,654
Earnings on Investments	210				210
Payment in Lieu of Taxes			206,887		206,887
Miscellaneous	48,594	3,134			51,728
<i>Total Cash Receipts</i>	<u>4,458,467</u>	<u>833,544</u>	<u>206,887</u>	<u>419,220</u>	<u>5,918,118</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,777,284	611,409			2,388,693
Public Health Services	26,606				26,606
Leisure Time Activities	29,070	28,025			57,095
Community Environment	46,255				46,255
Basic Utility Services	1,607,057				1,607,057
Transportation		340,882			340,882
General Government	727,965				727,965
Capital Outlay		45,877		464,222	510,099
Debt Service:					
Principal Retirement			25,000		25,000
Interest and Fiscal Charges			149,983		149,983
<i>Total Cash Disbursements</i>	<u>4,214,237</u>	<u>1,026,193</u>	<u>174,983</u>	<u>464,222</u>	<u>5,879,635</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>244,230</u>	<u>(192,649)</u>	<u>31,904</u>	<u>(45,002)</u>	<u>38,483</u>
Other Financing Receipts (Disbursements)					
Debt Proceeds			130,276		130,276
Transfers In		245,272	18,382		263,654
Transfers Out	(263,654)				(263,654)
Advances In	68,868				68,868
Advances Out					0
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(194,786)</u>	<u>245,272</u>	<u>148,658</u>	<u>0</u>	<u>199,144</u>
<i>Net Change in Fund Cash Balances</i>	49,444	52,623	180,562	(45,002)	237,627
<i>Fund Cash Balances, January 1</i>	<u>375,745</u>	<u>316,068</u>	<u>127,976</u>	<u>55,595</u>	<u>875,384</u>
Fund Cash Balances, December 31					
Restricted	0	368,691	308,538	10,593	687,822
Unassigned (Deficit)	425,189	0	0	0	425,189
<i>Fund Cash Balances, December 31</i>	<u>\$425,189</u>	<u>\$368,691</u>	<u>\$308,538</u>	<u>\$10,593</u>	<u>\$1,113,011</u>

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$604,137	\$0	\$604,137
<i>Total Operating Cash Receipts</i>	<u>604,137</u>	<u>0</u>	<u>604,137</u>
Operating Cash Disbursements			
Personal Services	210,581		210,581
Employee Fringe Benefits	87,198		87,198
Contractual Services	73,596		73,596
Supplies and Materials	91,895		91,895
Other	4,186		4,186
<i>Total Operating Cash Disbursements</i>	<u>467,456</u>	<u>0</u>	<u>467,456</u>
<i>Operating Income (Loss)</i>	<u>136,681</u>	<u>0</u>	<u>136,681</u>
Non-Operating Receipts (Disbursements)			
Debt Proceeds	158,911		158,911
Miscellaneous Receipts	113,571		113,571
Other Non-Operating Receipts		981,121	981,121
Capital Outlay	(296,501)		(296,501)
Interest and Other Fiscal Charges	(24,539)		(24,539)
Other Non-Operating Disbursements		(968,947)	(968,947)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(48,558)</u>	<u>12,174</u>	<u>(36,384)</u>
<i>Income (Loss) before Advances</i>	88,123	12,174	100,297
Advances Out	(68,868)		(68,868)
<i>Net Change in Fund Cash Balances</i>	19,255	12,174	31,429
<i>Fund Cash Balances, January 1</i>	<u>10,076</u>	<u>40,768</u>	<u>50,844</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$29,331</u></u>	<u><u>\$52,942</u></u>	<u><u>\$82,273</u></u>

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lockland, Hamilton County, (the Village) as a body corporate and politic. 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 Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

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

3. Debt Service Funds

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

General Obligation Bond Retirement Fund – This fund receives payments in lieu of taxes and is utilized to repay general obligation bonds and other long term debt.

Note Retirement Fund – This fund received the sale of notes and was utilized for certain capital outlays and to repay outstanding notes.

4. Capital Project Funds

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

Lock Street Bridge Fund – This fund receives proceeds of Ohio Public Works Commission loans. The proceeds are being used to construct a new bridge.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

6. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court, which accounts for all fines and forfeitures receipts and disbursements of the Mayor's Court for violations of ordinances within the Village's limits.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

VILLAGE OF LOCKLAND
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. During 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The classifications are as follows:

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2012	2011
Demand deposits	\$936,549	\$799,608
Total deposits	936,549	799,608
STAR Ohio	395,978	395,676
Total investments	395,978	395,676
Total deposits and investments	\$1,332,527	\$1,195,284

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

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

3. Budgetary Activity

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,575,893	\$4,677,772	\$101,879
Special Revenue	1,530,001	1,161,547	(368,454)
Debt Service	162,138	261,710	99,572
Capital Projects	30,000	30,000	0
Enterprise	1,175,252	754,762	(420,490)
Total	\$7,473,284	\$6,885,791	(\$587,493)

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,965,981	\$4,575,865	\$390,116
Special Revenue	1,638,185	1,163,736	474,449
Debt Service	279,228	228,036	51,192
Capital Projects	30,000	27,000	3,000
Enterprise	1,094,471	742,008	352,463
Total	<u>\$8,007,865</u>	<u>\$6,736,645</u>	<u>\$1,271,220</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,610,904	\$4,458,467	(\$152,437)
Special Revenue	1,109,326	1,078,816	(30,510)
Debt Service	210,175	355,545	145,370
Capital Projects	439,271	419,220	(20,051)
Enterprise	1,035,664	876,619	(159,045)
Total	<u>\$7,405,340</u>	<u>\$7,188,667</u>	<u>(\$216,673)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,543,147	\$4,477,891	\$65,256
Special Revenue	1,234,282	1,026,193	208,089
Debt Service	219,149	174,983	44,166
Capital Projects	494,024	464,222	29,802
Enterprise	944,939	788,496	156,443
Total	<u>\$7,435,541</u>	<u>\$6,931,785</u>	<u>\$503,756</u>

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Local Income Tax

The Village levies a municipal income tax of 2.1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. 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 withhold income tax on employee compensation and remit the tax to the Village at least or quarterly. Corporations and other individual taxpayers are also required to pay and file a final return annually

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Street Improvement Bond	\$215,000	5.2%
Various Purpose Bond Anticipation Notes	\$635,000	2.0%
Ambulance Note	\$17,618	5.5%
Ohio Public Works Loan CT11M	\$100,812	0.0%
Ohio Public Works Commission Loan CB02C	\$80,030	2.0%
Environmental Protection Agency Loan	\$124,728	2.0%
Ohio Water Development Authority Loan 4619	\$80,140	2.0%
Ohio Water Development Authority Loan 4809	\$248,702	2.0%
Ohio Water Development Authority Loan 4669	\$38,000	2.0%
Ohio Water Development Authority Loan 5165	\$172,313	2.0%
Ohio Water Development Authority Loan 5921	\$148,350	2.0%
 Total	 <u><u>\$1,860,693</u></u>	

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

The Street Improvement Bond was issued in 1999 to finance street improvements. The loan will be repaid over a term of twenty years. For the remaining term principal payments are due annually ranging from \$25,000 due in 2011 and gradually increasing to \$40,000 in 2018. Interest payments are due semi-annually and the principal is not subject to early redemption. The final payment is due September, 2018.

The Various Purpose Bond Anticipation Notes were issued in 2012 to redeem Equipment Acquisition Bond Anticipation Notes issued in 2001 and to purchase equipment for the Village.

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

The Ohio Public Works Commission (OPWC) loan CT11M relates to relates to the Lock Street Bridge Project. The OPWC approved \$109,967 for this project. The Village will repay this loan in semi-annual payments of \$1,833, including interest, over 30 years. The final payment is due January, 2041.

The Environmental Protection Agency Loan (EPA) relates to a water aerator project. The EPA approved \$124,728 for this project. The Village will repay this loan in semi-annual payments of \$3,799 including interest, over 20 years. The final payment is due January, 2032.

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

The Ohio Water Development Authority (OWDA) loan 4809 relates to water treatment plant improvements and equipment. The OWDA approved \$306,000 for this project. The Village will repay this loan in semi-annual payments of \$9,368, including interest, over 20 years. The final payment is due July, 2028.

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

The Ohio Water Development Authority (OWDA) loan 5165 relates to water system equipment and upgrades. The OWDA approved \$195,316 for this project. The Village will repay this loan in semi-annual payments of \$5,996, including interest, over 20 years. The final payment is due January, 2030. Water and sewer receipts collateralize the loan.

The Ohio Water Development Authority (OWDA) loan 5921 relates to water treatment plant improvements. The OWDA approved \$170,380 for this project. The Village will repay this loan in semi-annual payments of \$5,189, including interest, over 20 years. The final payment is due January, 2031. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	Street Improvement Bond	Various Purpose Bond Anticipation Notes	Ambulance Note	OWPC Loan CB02C	OWPC Loan CT11M	EPA Loan	OWDA Loan 4619
2013	\$41,147	\$647,770	\$18,371	\$7,828	\$3,666	\$7,597	\$4,219
2014	44,603			7,828	3,666	7,597	4,219
2015	42,800			7,828	3,666	7,597	4,219
2016	40,980			7,828	3,666	7,597	4,219
2017	44,160			7,828	3,666	7,597	4,219
2018-2022	42,080			39,142	18,330	30,389	21,097
2023-2027				11,742	18,330	30,389	21,097
2028-2032					18,330	30,389	21,097
2033-2037					18,330	11,358	18,991
2038-2041					9,162		
Total	<u>\$255,770</u>	<u>\$647,770</u>	<u>\$18,371</u>	<u>\$90,024</u>	<u>\$100,812</u>	<u>\$140,510</u>	<u>\$103,377</u>

(Continued)

(Continued) Year ending December 31:	OWDA Loan 4809	OWDA Loan 4669	OWDA Loan 5165	OWDA Loan 5921	Totals
2013	\$18,735	\$3,124	\$11,993	\$10,378	\$774,828
2014	18,735	3,124	11,993	10,378	112,143
2015	18,735	3,124	11,993	10,378	110,340
2016	18,735	3,124	11,993	10,378	108,520
2017	18,735	3,124	11,993	10,378	111,700
2018-2022	93,676	15,618	59,963	51,890	372,185
2023-2027	93,676	14,058	59,963	51,890	301,145
2028-2032	56,205		29,982	36,272	192,275
2033-2037					48,679
2038-2041					9,162
Total	<u>\$337,232</u>	<u>\$45,296</u>	<u>\$209,873</u>	<u>\$191,942</u>	<u>\$2,140,977</u>

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

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.

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.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that 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. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. Related Party Transactions

The Village 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 tax under Section 501(c)(6) of the Internal Revenue Code.

11. Subsequent Events

In 2013, the Village issue a \$585,000 Equipment Acquisition Bond Anticipation Note, a \$314,000 Building Improvement Bond Anticipation Note, and a 173,500 Energy Conservation Improvement Bond Anticipation Note, and a \$1,175,000 Bond Anticipation Note for Equipment Acquisition and Building Improvements.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements the Village of Lockland, Hamilton County, (the Village) as of and for the years ended 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2014 wherein we noted that the Village issued financial statements based on accounting principles other than accounting principles generally accepted in the United States of America, and that the Village adopted *Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-01 and 2012-02.

Entity's Response to Findings

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

Purpose of this Report

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 13, 2014.



Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2014

**VILLAGE OF LOCKLAND
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Noncompliance/Material Weakness

Ohio Rev. Code, Section 733.28, states, in part, 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, in part, 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 Village did not prepare accurate and timely cash reconciliations for all bank accounts during 2012 and 2011. In addition, the Village included reconciling items on the bank-to-book reconciliations for which there was no supporting documentation noted. In certain instances, the adjustments for reconciliations that were completed were not posted to the accounting system until more than 30 days after month end.

We identified the following conditions which resulted in adjustments to the Village's cash fund balances for 2012 and 2011:

- In 2012, the Village did not post intergovernmental receipt of \$14,549 and income tax receipt of \$158 to the General Fund.
- In 2012, the Village posted a duplicate receipt totaling \$12,979, resulting in an overstatement of receipt of \$8,590 in the General Fund and \$4,389 in the Enterprise Fund.
- In 2012, the Village did not post the payroll disbursement for the payroll dated February 16, 2012 totaling \$21,815, resulting in an understatement of disbursement of \$4,366 in the General Fund, \$2,578 in the Special Revenue-Street Fund, \$12,152 in the Special Revenue-Fire Levy Fund and \$2,719 in the Enterprise Fund.
- In 2011, the Village did not post intergovernmental receipts of \$11,431 to the General Fund.

We identified the following conditions which resulted in adjustments to the Village's receipt and disbursement transaction classifications for 2012 and 2011:

- In 2012, the Village posted two fund balance adjustments to the accounting system for transactions that represented 2012 activity. The amounts were reclassified to a more appropriate receipt and disbursement line item within the General and Special Revenue Funds.
- In 2012, the Village posted several receipt transactions to Other Financing Sources and Special Items, along with a few disbursement transactions to Other Financing Uses. These transactions were reclassified to a more appropriate receipt or disbursement line item with the appropriate funds within the General and Special Revenue Funds.
- In 2012, the Village posted Tax Increment Financing (TIF) moneys to Earnings on Investments in the Debt Service Fund, totaling \$205,001. This amount was reclassified to a more appropriate receipt line item.

**FINDING NUMBER 2012-01
(Continued)**

- In 2012, the Village posted certain Intergovernmental Revenue monies as Special Assessments receipts totaling \$30,000 and classified certain disbursements as Transportation instead of Capital Outlay totaling \$27,000 in the Capital Projects Funds.
- In 2012, the Village did not post an on-behalf of transaction totaling \$124,728. This activity related to the Enterprise Fund as debt proceeds receipts and capital outlay disbursements.
- In 2011, the Village posted several receipt transactions to Special Items, and a few disbursement transactions to Other Financing Uses. These transactions were reclassified to a more appropriate receipt or disbursement line item with the appropriate funds within the General, Special Revenue and Debt Service Funds.
- In 2011, the Village posted several fund balance adjustments to the accounting system for transactions that were reclassified to a more appropriate disbursement line item within the General, Special Revenue and Enterprise Funds.
- In 2011, the Village posted EMS Billing Revenue to the Special Revenue-Fire Levy Fund as Special Assessments receipts, instead of Charges for Services receipts totaling \$100,433.
- In 2011, the Village posted Tax Increment Financing (TIF) moneys to Earnings on Investments in the Debt Service Fund, totaling \$206,886. This amount was reclassified to a more appropriate receipt line item.
- In 2011, the Village posted certain Intergovernmental Revenue monies as Special Assessments totaling \$419,220 in the Capital Projects Funds.
- In 2011, the Village did not post an on-behalf of transaction totaling \$158,911. This activity related to the Enterprise Fund as debt proceeds receipt and capital outlay disbursement.

Adjustments were made by the Village on the accompanying financial statements and accounting records, where applicable, for all of the issues noted above. Failure to accurately prepare the accounting records reduces the accountability over Village funds, reduces Council's ability to monitor financial activity, increases the likelihood that the Village's financial statements will be misstated, and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner. We recommend that the Village use due care in posting all receipts and disbursements of the Village.

We also noted that the Village's payroll clearing account maintained excess funds due in part to certain amounts transferred to cover payroll being estimated, and the remaining excess was not transferred back to the general account. Once audit adjustments were posted, the bank balance exceeded the adjusted book balance by \$30,879. This variance is not significant to the financial statements as a whole; therefore adjustments were not posted to the financial statements or the accounting records.

Officials' Response:

The Village will strive to complete reconciliations accurately and in a timely fashion. The Village will consult with Local Government Services to ensure disbursements and receipts are classified to the appropriate line item.

FINDING NUMBER 2012-02

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 disbursement. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2012 and 2011, it was noted that the Village failed to encumber properly for 8 out of 26 (or 31%) transactions tested and note of the exceptions above applied.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also 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 Financial Services Manager certify that 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.

**FINDING NUMBER 2012-02
(Continued)**

We recommend the Village officials and employees obtain the Financial Services Manager'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 Financial Services Manager should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Financial Services Manager should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

The Village will certify that the funds are available and properly appropriate for any contract or expenditure. The Village currently uses Then and Now Certificates when necessary.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 733.28 and Ohio Admin. Code Section 117-2-02(A) regarding maintaining accurate financial Records of the Village. Timely and complete bank to book reconciliations	No	Reissued as Finding 2012-01
2010-002	Ohio Rev. Code Section 5705.41(D) regarding lack of certification of availability of funds.	No	Reissued as Finding 2012-02

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VILLAGE OF LOCKLAND

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**