

VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Lockland, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 21, 2017

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**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lockland, Hamilton County, (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lockland, Hamilton County as of December 31, 2016 and 2015, 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) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017, 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.



Cincinnati, Ohio
August 21, 2017

Village of Lockland
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$ 155,418	\$ 317,611	\$ -	\$ -	\$ 473,029
Municipal Income Tax	2,190,695	-	-	-	2,190,695
Intergovernmental	75,557	164,415	-	404,166	644,138
Special Assessments	-	3,212	-	-	3,212
Payments in Lieu of Taxes	-	-	144,087	-	144,087
Charges for Services	1,417,986	115,565	-	-	1,533,551
Fines, Licenses and Permits	768,143	50,764	-	-	818,907
Earnings on Investments	2,124	-	-	-	2,124
Miscellaneous	40,340	-	-	-	40,340
<i>Total Cash Receipts</i>	<u>4,650,263</u>	<u>651,567</u>	<u>144,087</u>	<u>404,166</u>	<u>5,850,083</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,850,833	655,111	-	-	2,505,944
Public Health Services	16,000	-	-	-	16,000
Leisure Time Activities	46,239	-	-	-	46,239
Community Environment	42,905	-	-	-	42,905
Basic Utility Services	1,219,323	-	-	-	1,219,323
Transportation	-	369,115	-	-	369,115
General Government	751,753	-	86,280	-	838,033
Capital Outlay	38,558	-	-	418,666	457,224
Debt Service:					
Principal Retirement	-	-	125,000	-	125,000
Interest and Fiscal Charges	-	-	74,390	-	74,390
<i>Total Cash Disbursements</i>	<u>3,965,611</u>	<u>1,024,226</u>	<u>285,670</u>	<u>418,666</u>	<u>5,694,173</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	684,652	(372,659)	(141,583)	(14,500)	155,910
Other Financing Receipts (Disbursements):					
Proceeds from OPWC Loan	-	-	-	14,500	14,500
Transfers-In	-	336,815	158,410	-	495,225
Transfers-Out	(495,225)	-	-	-	(495,225)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(495,225)</u>	<u>336,815</u>	<u>158,410</u>	<u>14,500</u>	<u>14,500</u>
<i>Net Change in Fund Cash Balances</i>	189,427	(35,844)	16,827	-	170,410
<i>Fund Cash Balances, January 1</i>	<u>98,622</u>	<u>230,646</u>	<u>555,738</u>	<u>-</u>	<u>885,006</u>
Fund Cash Balances, December 31					
Restricted	-	194,802	572,565	-	767,367
Assigned	1,348	-	-	-	1,348
Unassigned	286,701	-	-	-	286,701
<i>Fund Cash Balances, December 31</i>	<u>\$ 288,049</u>	<u>\$ 194,802</u>	<u>\$ 572,565</u>	<u>\$ -</u>	<u>\$ 1,055,416</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 600,985	\$ -	\$ 600,985
Total Operating Cash Receipts	<u>600,985</u>	<u>-</u>	<u>600,985</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	194,977	-	194,977
Employee Fringe Benefits	92,365	-	92,365
Contractual Services	115,471	-	115,471
Supplies and Materials	199,219	-	199,219
Other	4,373	-	4,373
Total Operating Cash Disbursements	<u>606,405</u>	<u>-</u>	<u>606,405</u>
Operating Income	<u>(5,420)</u>	<u>-</u>	<u>(5,420)</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	31,185	-	31,185
Capital Outlay	(51,000)	-	(51,000)
Principal Retirement	(51,925)	-	(51,925)
Interest and Fiscal Charges	(16,465)	-	(16,465)
Other Financing Sources	-	1,038,399	1,038,399
Other Financing Uses	-	(1,021,113)	(1,021,113)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(88,205)</u>	<u>17,286</u>	<u>(70,919)</u>
<i>Net Change in Fund Cash Balances</i>	(93,625)	17,286	(76,339)
<i>Fund Cash Balances, January 1</i>	<u>237,078</u>	<u>58,284</u>	<u>295,362</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 143,453</u>	<u>\$ 75,570</u>	<u>\$ 219,023</u>

See accompanying notes to the basic financial statements

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

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

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

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 4.

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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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.

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

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

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

Note 3 – Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Village incurred obligations without issuing proper certifications that the amounts required to meet the obligations had been lawfully appropriated for such purposes and were in the treasury or in the process of collection.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	2016 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,686,451	\$ 4,650,263	\$ (36,188)
Special Revenue	1,131,323	988,382	(142,941)
Debt Service	233,410	302,497	69,087
Capital Projects	641,080	418,666	(222,414)
Enterprise	676,770	632,170	(44,600)
Total	<u>\$ 7,369,034</u>	<u>\$ 6,991,978</u>	<u>\$ (377,056)</u>

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,948,714	\$ 4,462,184	\$ 486,530
Special Revenue	1,177,538	1,037,573	139,965
Debt Services	285,670	285,670	-
Capital Projects	641,080	418,666	222,414
Enterprise	760,021	733,785	26,236
Total	\$ 7,813,023	\$ 6,937,878	\$ 875,145

Note 5 – 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, 2016 was as follows:

Demand deposits	\$ 875,632
Total deposits	875,632
STAR Ohio	398,807
Total investments	398,807
Total deposits and investments	\$1,274,439

Deposits

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments

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

Note 6 – Taxes

Property Taxes

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

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

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Income Taxes

The Village levies a municipal income tax of 2.1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. Worker's Compensation coverage is provided by the State of Ohio. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Public Entity Risk Pool

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$50,000.

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

2016 Contributions to PEP
\$79,728

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, 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, 2016.

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Street Improvement Bond	\$ 80,000	5.20%
Various Purpose Bonds, Series 2014	1,805,000	3.61%
OPWC Loan #CT11M	89,814	0.00%
OPWC Loan #CB02C	54,230	2.00%
OPWC Loan #CB22S	14,500	0.00%
OWDA Loan #4619	69,272	2.00%
OWDA Loan #4809	191,622	2.00%
OWDA Loan #4669	28,183	2.00%
OWDA Loan #5165	136,686	2.00%
OWDA Loan #5921	121,311	2.00%
OWDA Loan #6411	182,705	2.00%
Total	<u>\$ 2,773,323</u>	

The Street Improvement Bond was issued in 1999 to finance street improvements. The bonds are being repaid over a term of twenty years. The outstanding portion of the bonds will mature on September 1 in various amounts ranging from \$40,000 in 2017 to \$40,000 in 2018. The bonds carry interest at 5.20 percent per annum, payable semi-annually on March 1 and September 1.

During 2014 the Village issued \$1,980,000 of Various Purpose Bonds, Series 2014. The bonds are being repaid over a term of seventeen years. The outstanding portion of the bonds will mature on December 1 in various amounts ranging from \$95,000 in 2017 to \$165,000 in 2030. The bonds carry interest at 3.61

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

percent per annum, payable semi-annually on June 1 and December 1. Proceeds provided \$805,000 for funding various projects and purchases of the Village with the remaining portion used to retire \$1,175,000 of Various Purpose Bond Anticipation Notes, Series 2013, issued during 2013. Proceeds from the \$1,175,000 Various Purpose Bond Anticipation Notes, Series 2013 were used to retire the outstanding balance of \$585,000 of Various Purpose Bond Anticipation Notes, Series 2012, issued during 2012, as well as retiring \$590,000 of other Various Purpose Bond Anticipation Notes issued during 2013.

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

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

The Ohio Public Works Commission (OPWC) loan #CB22S relates to the Anna Street and Hillside Avenue street reconstruction project. The OPWC approved \$107,477 for this project. The Village will repay this loan in semi-annual payments of \$2,687 over 20 years. \$14,500 has been drawn on the loan through 2016, and the project is scheduled to be completed in 2017. The first payment will be due in July 2017, with the final payment due in January 2037.

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

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

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

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

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

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2016

The Ohio Water Development Authority (OWDA) loan #6411 relates to water system improvements. The OWDA approved \$214,331 for this project. The Village is repaying this loan in semi-annual payments of \$6,528, including interest, over 20 years. The final payment is due July, 2033. During 2016, OWDA applied an adjustment to the outstanding loan balance due by reducing the amount due by \$1,231.

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

Year ending December 31:	Street Improvement Bond	Various Purpose Bond 2014	OPWC Loan #CT11M	OPWC Loan #CB02C	OPWC Loan #CB22S	OWDA Loan #4619
2017	\$ 44,160	160,160	\$ 3,666	\$ 7,828	\$ 2,687	\$ 4,219
2018	42,080	166,731	3,666	7,828	5,374	4,220
2019	-	167,940	3,666	7,828	5,374	4,219
2020	-	163,969	3,666	7,828	5,374	4,220
2021	-	164,998	3,666	7,828	5,374	4,219
2022-2026	-	834,290	18,330	19,570	26,869	21,097
2027-2031	-	677,219	18,330	-	26,869	21,098
2032-2036	-	-	18,330	-	26,869	21,097
2037-2041	-	-	16,494	-	2,687	-
Total	\$ 86,240	\$ 2,335,307	\$ 89,814	\$ 58,710	\$ 107,477	\$ 84,389

Year ending December 31:	OWDA Loan #4809	OWDA Loan #4669	OWDA Loan #5165	OWDA Loan #5921	OWDA Loan #6411	Total
2017	\$ 18,735	\$ 3,124	\$ 11,992	\$ 9,679	\$ 13,055	\$ 279,305
2018	18,735	3,123	11,993	9,680	13,055	286,485
2019	18,735	3,124	11,992	9,679	13,055	245,612
2020	18,735	3,123	11,993	9,680	13,055	241,643
2021	18,735	3,124	11,992	9,679	13,055	242,670
2022-2026	93,676	15,618	59,963	48,397	65,276	1,203,086
2027-2031	28,103	-	35,978	43,558	65,276	916,431
2032-2036	-	-	-	-	26,111	92,407
2037-2041	-	-	-	-	-	19,181
Total	\$ 215,454	\$ 31,236	\$ 155,903	\$ 140,352	\$ 221,938	\$ 3,526,820

Note 11 – Contingent Liabilities

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

Village of Lockland
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$ 173,579	\$ 298,692	\$ -	\$ -	\$ 472,271
Municipal Income Tax	2,225,987	-	-	-	2,225,987
Intergovernmental	90,987	275,480	-	-	366,467
Special Assessments	-	585	-	-	585
Payments in Lieu of Taxes	-	-	155,686	-	155,686
Charges for Services	1,364,503	79,328	-	-	1,443,831
Fines, Licenses and Permits	516,768	30,038	-	-	546,806
Earnings on Investments	278	-	-	-	278
Miscellaneous	15,562	18,923	-	-	34,485
<i>Total Cash Receipts</i>	<u>4,387,664</u>	<u>703,046</u>	<u>155,686</u>	<u>-</u>	<u>5,246,396</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,690,112	651,157	-	-	2,341,269
Public Health Services	21,004	-	-	-	21,004
Leisure Time Activities	27,524	-	-	-	27,524
Community Environment	41,036	108,492	-	-	149,528
Basic Utility Services	1,591,465	-	-	-	1,591,465
Transportation	-	327,157	-	-	327,157
General Government	918,628	-	3,638	-	922,266
Capital Outlay	134,492	273,118	-	25,551	433,161
Debt Service:					
Principal Retirement	-	-	115,000	-	115,000
Interest and Fiscal Charges	-	-	79,098	-	79,098
<i>Total Cash Disbursements</i>	<u>4,424,261</u>	<u>1,359,924</u>	<u>197,736</u>	<u>25,551</u>	<u>6,007,472</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(36,597)	(656,878)	(42,050)	(25,551)	(761,076)
Other Financing Receipts (Disbursements):					
Transfers-In	-	258,109	165,501	-	423,610
Transfers-Out	(423,610)	-	-	-	(423,610)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(423,610)</u>	<u>258,109</u>	<u>165,501</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(460,207)	(398,769)	123,451	(25,551)	(761,076)
<i>Fund Cash Balances, January 1</i>	<u>558,829</u>	<u>629,415</u>	<u>432,287</u>	<u>25,551</u>	<u>1,646,082</u>
Fund Cash Balances, December 31					
Restricted	-	230,646	555,738	-	786,384
Assigned	120,332	-	-	-	120,332
Unassigned	(21,710)	-	-	-	(21,710)
<i>Fund Cash Balances, December 31</i>	<u>\$ 98,622</u>	<u>\$ 230,646</u>	<u>\$ 555,738</u>	<u>\$ -</u>	<u>\$ 885,006</u>

See accompanying notes to the basic financial statements

Village of Lockland
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2015

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 625,774	\$ -	\$ 625,774
Total Operating Cash Receipts	<u>625,774</u>	<u>-</u>	<u>625,774</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	202,821	-	202,821
Employee Fringe Benefits	82,914	-	82,914
Contractual Services	89,501	-	89,501
Supplies and Materials	85,975	-	85,975
Other	5,000	-	5,000
Total Operating Cash Disbursements	<u>466,211</u>	<u>-</u>	<u>466,211</u>
Operating Income	<u>159,563</u>	<u>-</u>	<u>159,563</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(7,100)	-	(7,100)
Principal Retirement	(55,895)	-	(55,895)
Interest and Fiscal Charges	(16,835)	-	(16,835)
Other Financing Sources	-	647,911	647,911
Other Financing Uses	(31,185)	(644,763)	(675,948)
Total Non-Operating Receipts (Disbursements)	<u>(111,015)</u>	<u>3,148</u>	<u>(107,867)</u>
Net Change in Fund Cash Balances	48,548	3,148	51,696
Fund Cash Balances, January 1	<u>188,530</u>	<u>55,136</u>	<u>243,666</u>
Fund Cash Balances, December 31	<u>\$ 237,078</u>	<u>\$ 58,284</u>	<u>\$ 295,362</u>

See accompanying notes to the basic financial statements

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

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

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

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

Shepherd Avenue Improvement Fund The Shepherd Avenue Improvement Fund received proceeds from grants from Hamilton County and the Ohio Public Works Commission to fund street construction and improvements along Shepherd Avenue located within the Village.

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

Budgetary Process

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

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

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

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

A summary of 2015 budgetary activity appears in Note 4.

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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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.

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

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

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

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

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

Note 3 – Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Village incurred obligations without issuing proper certifications that the amounts required to meet the obligations had been lawfully appropriated for such purposes and were in the treasury or in the process of collection.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

Fund Type	2015 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,788,527	\$ 4,387,664	\$ (400,863)
Special Revenue	1,179,333	961,155	(218,178)
Debt Service	226,298	321,187	94,889
Enterprise	641,243	625,774	(15,469)
Total	\$ 6,835,401	\$ 6,295,780	\$ (539,621)

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,958,226	\$ 4,849,970	\$ 108,256
Special Revenue	1,673,189	1,414,639	258,550
Debt Service	249,954	197,736	52,218
Capital Projects	25,551	25,551	-
Enterprise	613,235	577,226	36,009
Total	\$ 7,520,155	\$ 7,065,122	\$ 455,033

Note 5 – 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, 2015 was as follows:

Demand deposits	\$ 783,684
Total deposits	783,684
STAR Ohio	396,684
Total investments	396,684
Total deposits and investments	\$1,180,368

Deposits

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments

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

Note 6 – Taxes

Property Taxes

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

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

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Income Taxes

The Village levies a municipal income tax of 2.1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. Worker's Compensation coverage is provided by the State of Ohio. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Public Entity Risk Pool

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Assets	<u>\$25,548,550</u>

At December 31, 2015 the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$50,000.

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

2015 Contributions to PEP
\$79,079

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 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, 2015.

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For January 1, 2015 through June 30, 2015, OP&F participants contributed 11.50% of their wages. For July 1, 2015 through December 31, 2015, participants contributed 12.25%. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Street Improvement Bond	\$ 115,000	5.20%
Various Purpose Bonds, Series 2014	1,895,000	3.61%
OPWC Loan #CT11M	93,480	0.00%
OPWC Loan #CB02C	60,873	2.00%
OWDA Loan #4619	72,064	2.00%
OWDA Loan #4809	206,304	2.00%
OWDA Loan #4669	30,705	2.00%
OWDA Loan #5165	145,808	2.00%
OWDA Loan #5921	128,457	2.00%
OWDA Loan #6411	189,288	2.00%
Total	<u>\$ 2,936,979</u>	

The Street Improvement Bond was issued in 1999 to finance street improvements. The bonds are being repaid over a term of twenty years. The outstanding portion of the bonds will mature on September 1 in various amounts ranging from \$35,000 in 2016 to \$40,000 in 2018. The bonds carry interest at 5.20 percent per annum, payable semi-annually on March 1 and September 1.

During 2014 the Village issued \$1,980,000 of Various Purpose Bonds, Series 2014. The bonds are being repaid over a term of seventeen years. The outstanding portion of the bonds will mature on December 1

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

in various amounts ranging from \$90,000 in 2016 to \$165,000 in 2030. The bonds carry interest at 3.61 percent per annum, payable semi-annually on June 1 and December 1. Proceeds provided \$805,000 for funding various projects and purchases of the Village with the remaining portion used to retire \$1,175,000 of Various Purpose Bond Anticipation Notes, Series 2013, issued during 2013. Proceeds from the \$1,175,000 Various Purpose Bond Anticipation Notes, Series 2013 were used to retire the outstanding balance of \$585,000 of Various Purpose Bond Anticipation Notes, Series 2012, issued during 2012, as well as retiring \$590,000 of other Various Purpose Bond Anticipation Notes issued during 2013.

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

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

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

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

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

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

VILLAGE OF LOCKLAND
Hamilton County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Year ending December 31:	Street Improvement Bond	Various Purpose Bond 2014	OPWC Loan #CT11M	OPWC Loan #CB02C	OWDA Loan #4619	OWDA Loan #4809
2016	\$ 40,980	158,409	\$ 3,666	\$ 7,828	\$ 4,220	\$ 18,735
2017	44,160	160,160	3,666	7,828	4,219	18,735
2018	42,080	166,731	3,666	7,828	4,220	18,735
2019	-	167,940	3,666	7,828	4,219	18,735
2020	-	163,969	3,666	7,828	4,220	18,735
2021-2025	-	831,853	18,330	27,398	21,097	93,676
2026-2030	-	844,654	18,330	-	21,098	46,838
2031-2035	-	-	18,330	-	21,097	-
2036-2040	-	-	18,330	-	4,219	-
2041	-	-	1,830	-	-	-
Total	<u>\$ 127,220</u>	<u>\$ 2,493,716</u>	<u>\$ 93,480</u>	<u>\$ 66,538</u>	<u>\$ 88,609</u>	<u>\$ 234,189</u>

Year ending December 31:	OWDA Loan #4669	OWDA Loan #5165	OWDA Loan #5921	OWDA Loan #6411	Total
2016	3,123	11,993	9,680	\$ 13,055	\$ 271,689
2017	3,124	11,992	9,679	13,055	276,618
2018	3,123	11,993	9,680	13,055	281,111
2019	3,124	11,992	9,679	13,055	240,238
2020	3,123	11,993	9,680	13,055	236,269
2021-2025	15,618	59,963	48,397	65,276	1,181,608
2026-2030	3,124	47,970	48,397	65,276	1,095,687
2031-2035	-	-	4,840	39,166	83,433
2036-2040	-	-	-	-	22,549
2041	-	-	-	-	1,830
Total	<u>\$ 34,359</u>	<u>\$ 167,896</u>	<u>\$ 150,032</u>	<u>\$ 234,993</u>	<u>\$ 3,691,032</u>

Note 11 – Contingent Liabilities

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

Bastin & Company, LLC
Certified Public Accountants

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Lockland, Hamilton County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 21, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Controls Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider findings 2016-01 and 2016-02 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-03.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not 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.

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

Cincinnati, Ohio
August 21, 2017

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDING NUMBER 2016-01

Material Weakness - Effective Bank Reconciliations

During the audit period the Village prepared bank reconciliations that did not effectively or accurately identify bank balances or reconciling items. We noted instances where incorrect bank balances were entered within the reconciliation (which eliminated any reconciliation variance) or where variances were noted as a lump sum amount without identifying individual causes that could be contributing to banking errors or errors in recording transactions within the accounting system. As a result, the Village performed an additional review to identify reconciling items which required adjustment to financial statements during the course of the audit. Before adjustments were identified, fund cash balances were overstated in the financial statements presented for audit by \$220,994 as of December 31, 2016 and \$113,939 as of December 31, 2015.

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

Village's Response

The Village will attempt to prepare accurate bank reconciliations in the future.

FINDING NUMBER 2016-02

Material Weakness - Financial Reporting

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

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

- For 2016 and 2015, audit adjustments totaling \$107,064 and \$113,930, respectively, were necessary to record disbursement transactions made by the Village that had not been recorded in the Village's financial accounting system and not reported in the draft financial statements presented for audit. The unrecorded payments were for OPERS retirement contributions, OP&F retirement contributions, debt payments and other various expenditure transactions.
- For 2015, audit adjustments totaling \$35,690 were necessary to properly record expenditures in the General Fund that had been recorded in error as expenditures of the Mayor's Court Computer Fund. The expenditures were for ordinary operating activity of the Village's Mayor's Court that should have been charged to the General Fund.
- For 2015, audit adjustments totaling \$15,551 were necessary to properly record expenditures in the General Fund that had been recorded in error as interest expense in a debt service fund. In addition, an audit adjustment totaling \$17,261 was necessary to move principal retirement expenses recorded as other financial uses in the General Fund to principal retirement in a debt service fund.

- For 2015, audit adjustments totaling \$66,037 were necessary to properly record entries made by the Village that were posted to the beginning of the year fund cash balances instead of 2015 expenditures. The correcting adjustments were made to multiple funds and expenditure line items within those funds. The entries also required correction to the funds that they were posted to resulting in changes to fund cash balances.

The financial statements have been adjusted to correct for the above. These adjustments resulted in a cumulative effect on the December 31, 2016 fund cash balances by decreasing the General Fund by \$234,882, decreasing the Street Construction Maintenance and Repair Fund by \$3,673, decreasing the Water Fund by \$31,185, increasing the Mayor's Court Computer Fund by \$35,690 and increasing the General Obligation Bond Retirement Fund by \$13,056.

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

- Audit adjustments for 2016 and 2015 totaling \$12,191 and \$14,078, respectively, were necessary to properly report property tax receipts at gross amounts in the General Fund, Fire Levy Fund and General Obligation Bond Retirement Fund. The Village had reported receipt amounts net of related expenses that were deducted by the County.
- For 2016 and 2015, reclassifications totaling \$418,666 and \$258,161, respectively, were made to properly classify capital outlay expenditures. For 2016, the Village had reported \$418,666 as transportation expenses in the Anna and Hillside Street Capital Project Fund. For 2015, the Village had reported \$160,043 as basic utility services in the General Fund and \$98,118 as transportation expenses in the Street Construction Maintenance and Repair Fund.
- For 2016 and 2015, reclassification entries totaling \$226,143 and \$118,634, respectively, were made to various funds in order to properly classify debt related expenditures. The Village had reported debt principal payments as interest expense.
- For 2016 and 2015, reclassification entries totaling \$85,025 and \$79,564, respectively, were made to properly classify various expenditures in the General Fund. The Village had reported these expenses as other financing uses.
- For 2016 and 2015, reclassification entries totaling \$165,743 and \$186,203, respectively, were made to properly classify various receipts in the General Fund and the General Obligation Bond Retirement Fund. The Village had reported items such as payments in lieu of taxes, property taxes, charges for services and fines, license and permits as miscellaneous receipts.
- For 2016 and 2015, reclassification entries totaling \$24,947 and \$25,243, respectively, were made to properly classify property rollback and homestead receipts as intergovernmental in the General Fund. The Village had recorded the receipts as property and other local taxes.
- For 2016 and 2015, reclassification entries totaling \$50,764 and \$30,038, respectively, were made to properly classify fines received as fines, license and permits in the Mayor's Court Computer Fund. The Village had recorded the receipts as intergovernmental.
- For 2015, a reclassification entry totaling \$4,240 was made to properly classify a refund from a vendor as a reduction to transportation expense in the Street Construction Maintenance and Repair Fund. The Village had recorded the receipt as a transfer in.
- For 2015, a reclassification entry totaling \$42,800 was made to properly account for a refund received when the Village made a duplicate debt payment in the General Obligation Bond Retirement

Fund. The Village had recorded the refund as a miscellaneous receipt instead of offsetting the duplicate payment which was recorded as a principal and interest payment.

- For 2016, reclassification entries totaling \$418,666 were made to properly classify proceeds from OPWC grants and loans as intergovernmental receipts or debt proceeds. The Village had recorded these items as special assessments.
- For 2016, an audit adjustment totaling \$157,414 was made to eliminate a receipt recorded as a special assessment and an expenditure recorded as transportation expense in the Anna and Hillside Street Capital Project Fund for an on-behalf payment made by OPWC under a loan. The related transaction occurred during 2017 and should not have been recorded as a 2016 transaction.
- For 2016 and 2015, a portion of the General Fund's unassigned fund cash balance was reclassified to assigned fund balance in the amounts of \$1,348 and \$120,332, respectively. The reclassification was made to report the portion of year end fund cash balance that has been encumbered or assigned to fund the subsequent year's appropriations in accordance with the requirements of GASB 54.
- For 2016 and 2015, the balances and activity of the Mayor's Court Agency Fund were not presented in the financial statements presented for audit.

For 2016, the notes to the financial statements presented for audit contained incomplete or omitted data for areas such as deposits and investments, debt balances and risk management. For 2015, notes to the financial statements were not presented. In addition, for 2016 and 2015 the Village's accounting system was not updated and did not properly reflect budgeted receipts as established by the certificate of estimated resources approved by the County Budget Commission or amounts appropriated as approved by Village Council.

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

Village's Response

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

FINDING NUMBER 2016-03

Noncompliance - Certification of Fund Availability

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2016 and 2015, 25 percent of purchase orders tested were not properly certified prior to incurring the obligation or were not approved by ordinance or resolution when a then and now certificate for purchases of \$3,000 or more was made.

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

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

Village’s Response

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-01	ORC 733.28 – Internal controls over financial reporting – audit adjustments.	No	Restated as finding 2016-02.

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Dave Yost • 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
OCTOBER 3, 2017