

VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**



Dave Yost • Auditor of State

Village Council
Village of Lockland
101 N. Cooper Ave
Lockland, OH 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, 2013 through December 31, 2014. 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
December 3, 2015

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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 and related notes of the Village of Lockland, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 opinion.

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

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 (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, 2014 and 2013, 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, 2014 and 2013, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015, 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.

Bastin & Company, L L C

Cincinnati, Ohio
September 14, 2015

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Other Local Taxes	\$ 193,246	\$ 289,942	\$ -	\$ -	\$ 483,188
Municipal Income Tax	2,263,375	-	-	-	2,263,375
Intergovernmental	58,858	260,904	-	-	319,762
Special Assessments	-	1,931	-	-	1,931
Charges for Services	1,466,367	101,425	-	-	1,567,792
Fines, Licenses and Permits	734,263	-	-	-	734,263
Earnings on Investments	62	-	-	-	62
Payments in Lieu of Taxes	-	-	152,363	-	152,363
Total Cash Receipts	4,716,171	654,202	152,363	-	5,522,736
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	1,870,313	551,195	-	-	2,421,508
Public Health Services	22,779	-	-	-	22,779
Leisure Time Activities	32,868	-	-	-	32,868
Community Environment	41,297	21,753	-	-	63,050
Basic Utility Service	1,734,113	-	-	-	1,734,113
Transportation	-	404,384	-	-	404,384
General Government	751,432	-	3,717	-	755,149
Capital Outlay	-	44,200	-	-	44,200
Debt Service:					
Principal Retirement	-	-	1,215,000	-	1,215,000
Interest and Fiscal Charges	-	-	93,542	-	93,542
Total Cash Disbursements	4,452,802	1,021,532	1,312,259	-	6,786,593
Excess of Receipts Over (Under) Disbursements	263,369	(367,330)	(1,159,896)	-	(1,263,857)
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Bonds	303,847	414,233	1,196,087	-	1,914,167
Bond Issuance Costs	-	-	(36,087)	-	(36,087)
Transfers-In	-	403,150	48,243	-	451,393
Transfers-Out	(451,393)	-	-	-	(451,393)
Total Other Financing Receipts (Disbursements)	(147,546)	817,383	1,208,243	-	1,878,080
Net Change in Fund Cash Balances	115,823	450,053	48,347	-	614,223
Fund Cash Balances, January 1	443,006	179,362	383,940	25,551	1,031,859
Fund Cash Balances, December 31:					
Restricted	-	629,415	432,287	25,551	1,087,253
Assigned	76,090	-	-	-	76,090
Unassigned	482,739	-	-	-	482,739
Fund Cash Balances, December 31	\$ 558,829	\$ 629,415	\$ 432,287	\$ 25,551	\$ 1,646,082

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 665,275	\$ -	\$ 665,275
Total Operating Cash Receipts	<u>665,275</u>	<u>-</u>	<u>665,275</u>
Operating Cash Disbursements:			
Personal Services	198,979	-	198,979
Employee Fringe Benefits	97,524	-	97,524
Contractual Services	168,786	-	168,786
Supplies and Materials	85,350	-	85,350
Total Operating Cash Disbursements	<u>550,639</u>	<u>-</u>	<u>550,639</u>
Operating Income	<u>114,636</u>	<u>-</u>	<u>114,636</u>
<i>Non-Operating Receipts (Disbursements)</i>			
Proceeds from Bonds	65,833	-	65,833
Proceeds from OWDA Loans	213,490	-	213,490
Redemption of Principal	(53,018)	-	(53,018)
Interest and Other Fiscal Charges	(19,099)	-	(19,099)
Capital Outlay	(130,222)	-	(130,222)
Other Financing Sources	-	777,191	777,191
Other Financing Uses	-	(782,557)	(782,557)
Total Non-Operating Receipts (Disbursements)	<u>76,984</u>	<u>(5,366)</u>	<u>71,618</u>
Net Change in Fund Cash Balances	191,620	(5,366)	186,254
Fund Cash Balance, January 1	<u>(3,090)</u>	<u>60,502</u>	<u>57,412</u>
Fund Cash Balance, December 31	<u>\$ 188,530</u>	<u>\$ 55,136</u>	<u>\$ 243,666</u>

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property and Other Local Taxes	\$ 192,812	\$ 291,936	\$ -	\$ -	\$ 484,748
Municipal Income Tax	2,276,999	-	-	-	2,276,999
Intergovernmental	156,621	398,494	-	300,988	856,103
Special Assessments	-	861	-	-	861
Charges for Services	1,255,243	114,263	-	-	1,369,506
Fines, Licenses and Permits	716,113	-	-	-	716,113
Earnings on Investments	142	-	-	-	142
Payments in Lieu of Taxes	-	-	88,204	-	88,204
Total Cash Receipts	4,597,930	805,554	88,204	300,988	5,792,676
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	1,834,110	672,166	-	-	2,506,276
Public Health Services	27,160	-	-	-	27,160
Leisure Time Activities	40,223	-	-	-	40,223
Community Environment	39,942	79,256	-	-	119,198
Basic Utility Service	1,768,846	274,304	-	-	2,043,150
Transportation	-	398,722	-	-	398,722
General Government	911,456	-	1,072	-	912,528
Capital Outlay	-	28,479	-	288,188	316,667
Debt Service:					
Principal Retirement	-	17,618	1,136,896	-	1,154,514
Interest and Fiscal Charges	-	701	30,142	-	30,843
Total Cash Disbursements	4,621,737	1,471,246	1,168,110	288,188	7,549,281
Excess of Receipts Over (Under) Disbursements	(23,807)	(665,692)	(1,079,906)	12,800	(1,756,605)
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Notes	458,329	13,567	1,056,896	-	1,528,792
Premium from Notes	-	-	769	-	769
Sale of Fixed Assets	-	9,500	-	-	9,500
Transfers-In	27,304	604,250	69,258	-	700,812
Transfers-Out	(673,508)	(21,173)	(5,289)	(842)	(700,812)
Total Other Financing Receipts (Disbursements)	(187,875)	606,144	1,121,634	(842)	1,539,061
Net Change in Fund Cash Balances	(211,682)	(59,548)	41,728	11,958	(217,544)
Fund Cash Balances, January 1	654,688	238,910	342,212	13,593	1,249,403
Fund Cash Balances, December 31:					
Restricted	-	179,362	383,940	25,551	588,853
Assigned	35,618	-	-	-	35,618
Unassigned	407,388	-	-	-	407,388
Fund Cash Balances, December 31	\$ 443,006	\$ 179,362	\$ 383,940	\$ 25,551	\$ 1,031,859

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 618,757	\$ -	\$ 618,757
Total Operating Cash Receipts	<u>618,757</u>	<u>-</u>	<u>618,757</u>
Operating Cash Disbursements:			
Personal Services	191,595	-	191,595
Employee Fringe Benefits	92,202	-	92,202
Contractual Services	63,060	-	63,060
Supplies and Materials	83,593	-	83,593
Total Operating Cash Disbursements	<u>430,450</u>	<u>-</u>	<u>430,450</u>
Operating Income	<u>188,307</u>	<u>-</u>	<u>188,307</u>
<i>Non-Operating Receipts (Disbursements)</i>			
Proceeds from Notes	236,208	-	236,208
Proceeds from OWDA Loans	841	-	841
Redemption of Principal	(167,587)	-	(167,587)
Interest and Other Fiscal Charges	(18,330)	-	(18,330)
Capital Outlay	(287,483)	-	(287,483)
Other Financing Sources	2,869	907,001	909,870
Other Financing Uses	-	(887,538)	(887,538)
Total Non-Operating Receipts (Disbursements)	<u>(233,482)</u>	<u>19,463</u>	<u>(214,019)</u>
Net Change in Fund Cash Balances	(45,175)	19,463	(25,712)
Fund Cash Balance, January 1	<u>42,085</u>	<u>41,039</u>	<u>83,124</u>
Fund Cash Balance, December 31	<u>\$ (3,090)</u>	<u>\$ 60,502</u>	<u>\$ 57,412</u>

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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. A publicly-elected six-member Council directs the Village. The Village provides water utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in a public entity risk pool and is associated with a related organization. Notes 9 and 10 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Public Entities Pool of Ohio is a risk-sharing pool that provides property and casualty coverage for its members (Note 9).

Related Organization:

The Lockland Community Improvement Corporation acts as an agent for the Village to advance and promote development within the Village (Note 10).

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 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.

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.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

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.

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 Fund:

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.

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 Fund:

Shepherd Lane Improvement – This fund received proceeds of Ohio Public Works Commission grants and other sources during 2013 for constructing drainage and curb improvements along Shepherd Lane located within the Village.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

5. Enterprise Funds

This fund accounts 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 Enterprise Fund:

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

6. Fiduciary Funds

Fiduciary Funds include agency funds, which are purely custodial in nature and 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 Village's Mayor's Court activity.

E. Budgetary Process

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(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. 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, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(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:

	2014	2013
Demand deposits	\$ 1,493,485	\$ 726,139
Total deposits	1,493,485	726,139
STAR Ohio	396,263	363,132
Total investments	396,263	363,132
Total deposits and investments	\$ 1,889,748	\$ 1,089,271

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,160,863	\$ 5,020,018	\$ (140,845)
Special Revenue	1,429,482	1,471,585	42,103
Debt Service	1,329,639	1,396,693	67,054
Capital Projects	379,116	-	(379,116)
Enterprise	877,629	944,598	66,969
Total	\$ 9,176,729	\$ 8,832,894	\$ (343,835)

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,256,373	\$ 4,980,285	\$ 276,088
Special Revenue	1,599,463	1,273,473	325,990
Debt Services	1,376,658	1,348,346	28,312
Capital Projects	292,547	87,762	204,785
Enterprise	813,761	767,771	45,990
Total	<u>\$ 9,338,802</u>	<u>\$ 8,457,637</u>	<u>\$ 881,165</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,106,748	\$ 5,083,563	\$ (23,185)
Special Revenue	1,605,193	1,432,871	(172,322)
Debt Service	1,187,803	1,215,127	27,324
Capital Projects	323,000	300,988	(22,012)
Enterprise	1,127,620	858,675	(268,945)
Total	<u>\$ 9,350,364</u>	<u>\$ 8,891,224</u>	<u>\$ (459,140)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,607,535	\$ 5,330,863	\$ 276,672
Special Revenue	1,743,530	1,499,635	243,895
Debt Service	1,179,241	1,173,399	5,842
Capital Projects	323,842	289,030	34,812
Enterprise	1,127,620	1,005,351	122,269
Total	<u>\$ 9,981,768</u>	<u>\$ 9,298,278</u>	<u>\$ 683,490</u>

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.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

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.

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.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Street Improvement Bond	\$ 150,000	5.20%
Various Purpose Bonds, Series 2014	1,975,000	3.61%
OPWC Loan #CT11M	97,146	0.00%
OPWC Loan #CB02C	67,386	2.00%
OWDA Loan #4619	74,801	2.00%
OWDA Loan #4809	220,697	2.00%
OWDA Loan #4669	33,177	2.00%
OWDA Loan #5165	154,750	2.00%
OWDA Loan #5921	135,462	2.00%
OWDA Loan #6411	199,455	2.00%
Total	<u>\$ 3,107,874</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 2015 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 \$80,000 in 2015 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.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

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 will repay 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 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 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 \$307,581 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 \$196,885 for this project. The Village will repay 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 will repay 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 \$240,004 for this project. Until the project is finalized, the Village is making semi-annual payments of \$7,309, including interest. A final amortization schedule for this loan has not been established due to the interim nature of the project.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

Amortization of the above debt for loans where repayment terms have been finalized, 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
2015	\$ 42,800	\$ 151,298	\$ 3,666	\$ 7,828	\$ 4,219
2016	40,980	158,409	3,666	7,828	4,219
2017	44,160	160,160	3,666	7,828	4,219
2018	42,080	166,731	3,666	7,828	4,219
2019	-	167,940	3,666	7,828	4,219
2020-2024	-	828,513	18,330	35,228	21,097
2025-2029	-	841,007	18,330	-	21,097
2030-2034	-	170,957	18,330	-	21,097
2035-2039	-	-	18,330	-	8,438
2040-2041	-	-	5,496	-	-
Total	<u>\$ 170,020</u>	<u>\$ 2,645,015</u>	<u>\$ 97,146</u>	<u>\$ 74,368</u>	<u>\$ 92,824</u>

Continued

(Continued)

Year ending December 31:	OWDA Loan #4809	OWDA Loan #4669	OWDA Loan #5165	OWDA Loan #5921	Total
2015	\$ 18,735	\$ 3,124	\$ 11,993	\$ 9,679	\$ 253,342
2016	18,735	3,124	11,993	9,679	258,633
2017	18,735	3,124	11,993	9,679	263,564
2018	18,735	3,124	11,993	9,679	268,055
2019	18,735	3,124	11,993	9,679	227,184
2020-2024	93,676	15,618	59,963	48,395	1,120,820
2025-2029	65,572	6,247	59,963	48,395	1,060,611
2030-2034	-	-	-	14,518	224,902
2035-2039	-	-	-	-	26,768
2040-2041	-	-	-	-	5,496
Total	<u>\$ 252,923</u>	<u>\$ 37,485</u>	<u>\$ 179,891</u>	<u>\$ 159,703</u>	<u>\$ 3,709,375</u>

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

7. INTERFUND TRANSFERS

During 2013, the following transfers were made:

<i>From the General Fund to:</i>	
Street Construction, Maintenance & Repair Fund	\$ 89,540
Energy Conservation Fund	189,304
Fire Levy Fund	325,406
Other Debt Service Fund	69,258
<i>To the General Fund from:</i>	
Various inactive or completed project funds	<u>27,304</u>
Total 2013 Transfers	<u>\$700,812</u>

During 2014, the following transfers were made:

<i>From the General Fund to:</i>	
Street Construction, Maintenance & Repair Fund	\$113,596
Fire Levy Fund	289,554
Other Debt Service Fund	<u>48,243</u>
Total 2014 Transfers	<u>\$451,393</u>

Transfers from the General Fund represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers during 2013 from various inactive or completed project funds to the General Fund were made to return unused funds that had been previously provided by the General Fund which were no longer needed by the transferring fund.

8. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Ohio 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. From January 2013 through June 2013, OP&F participants contributed 10% of their wages. From July 1, 2013 through June 30, 2014 OP&F participants contributed 10.75% of their wages. From July 1, 2014 through December 31, 2014, OP&F participants contributed 11.5% of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, 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, 2014.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

9. RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	2013	2014
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	\$21,651,689	\$23,038,920

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$53,000.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

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.

Contributions to PEP	
2013	2014
\$77,985	\$80,912

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.

10. RELATED ORGANIZATION

The Village has a related organization, named the Lockland Community Improvement Corporation. The Lockland 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. 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 Village of Lockland, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 14, 2015 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.

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 2014-01 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 14, 2015.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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
September 14, 2015

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDING NUMBER 2014-01

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 accounting system which provided information for the creation of the financial statements.

We identified the following conditions which resulted in adjustments to the Village's overall cash fund balance or the fund cash balances between different funds for 2014 and 2013:

- Adjustments from prior audit periods totaling \$10,601 were recorded in the Village's accounting records as adjustments to January 1, 2014 cash balances requiring audit adjustments to properly report fund cash balances for several funds as of January 1, 2013.
- Audit adjustments totaling \$54,608 were necessary to properly reflect 2013 receipt and expenditure activity that had been recorded as adjustments to the January 1, 2013 cash balances affecting several funds.
- Audit adjustments totaling \$31,534 were necessary to record OWDA debt payments made during 2013 that had been recorded during 2014.
- Audit adjustments totaling \$57,417 were necessary to record payments on a bond anticipation note as an expenditure of the General Obligation Bond Debt Service Fund that had been recorded as an expenditure from the General Fund during 2014.
- Audit adjustments for 2014 and 2013 totaling \$38,073 and \$43,596, respectively, were necessary to move expenditures to the General Fund that had been recorded as expenditures of the Mayor's Court Computer Fund. The expenditures relate to ordinary operating activity of the Village's Mayor's Court that should not have been charged to the to the Mayor's Court Computer Fund.

We identified the following conditions which resulted in adjustments to the Village's receipt and disbursement transaction classifications for 2014 and 2013:

- Audit adjustments for 2014 and 2013 totaling \$1,196,087 and \$1,175,000, respectively, were necessary to properly report debt proceeds, the cost of issuance and debt retirement activities that had not been recorded in the accounting records. The Village only recorded proceeds from debt activities that resulted in an increase to the overall debt obligations of the Village but did not record proceeds of new debt that retired previously issued debt obligations.
- Audit adjustments for 2014 and 2013 totaling \$1,070,222 and \$681,842, respectively, were necessary to properly report debt activity that had been recorded by the Village. Various instances were noted where debt proceeds had been recorded as other financing sources and debt payments were incorrectly recorded to capital outlay expense, or where principal payments were recorded entirely as interest expense.

- Audit adjustments for 2014 and 2013 totaling \$21,856 and \$12,933, respectively, were necessary to properly report property tax receipts as gross instead of an amount net of expenses affecting several funds.
- For 2014 and 2013, the Village posted several receipt transactions to Other Financing Sources and several disbursement transactions to Other Financing Uses. These transactions were reclassified to a more appropriate receipt or disbursement line item with the appropriate funds.
- In 2013, the Village did not post an on-behalf of transaction totaling \$841. This activity related to the Enterprise Fund as debt proceeds receipts and capital outlay disbursements.

In addition to adjustments made to the financial activities discussed above, for 2013 and 2014, the Village did not update information in the accounting system regarding budgeted receipts and budgeted expenditures when amendments to the certificate of estimated resources or to appropriation ordinances were made. As a result, recorded budgetary data did not reflect the official budgeted data for either year. Adjustments to budgeted data included in the footnotes to the financial statements were required to properly state budgeted data.

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 strive to correctly record debt and other transactions in the future. We will analyze the chart of accounts to determine the proper coding of transactions that will allow accounts to feed into correct financial statement functional line item classifications. In addition, the consolidation of the Village's outstanding debt during 2014 will simplify the future recording of debt transactions.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	ORC 733.28 – Internal controls over financial reporting – audit adjustments.	No	Restated as finding 2014-01.
2012-02	ORC 5705.41 (D)(1) – Failure to certify the availability of funds.	No	A portion of the prior year finding is presented as a management letter comment.

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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
DECEMBER 17, 2015**