



Dave Yost • Auditor of State

VILLAGE OF LOCKLAND
HAMILTON COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

December 29, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Lockland, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Lockland, Hamilton County, Ohio as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2009, the Village changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

December 29, 2011

VILLAGE OF LOCKLAND
HAMILTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$181,360	\$192,487	\$0	\$0	\$373,847
Municipal Income Tax	2,167,045				2,167,045
Intergovernmental	213,968	635,911		609,421	1,459,300
Special Assessments		431			431
Charges for Services	1,117,885	87,741			1,205,626
Fines, Licenses and Permits	873,931	83,590			957,521
Earnings on Investments	428				428
Payment in Lieu of Taxes			94,017		94,017
Miscellaneous	102,244	22,838			125,082
Total Cash Receipts	4,656,861	1,022,998	94,017	609,421	6,383,297
Cash Disbursements:					
Current:					
Security of Persons and Property	1,730,441	771,821			2,502,262
Public Health Services	3,288				3,288
Leisure Time Activities	32,778	266,340			299,118
Community Environment	44,908	57,044			101,952
Basic Utility Service	1,448,761				1,448,761
Transportation		317,369			317,369
General Government	657,807	3,172	949		661,928
Capital Outlay		16,126	215,403	739,419	970,948
Debt Service:					
Redemption of Principal			290,793		290,793
Interest and Fiscal Charges			38,355		38,355
Total Cash Disbursements	3,917,983	1,431,872	545,500	739,419	6,634,774
Total Receipts Over/(Under) Disbursements	738,878	(408,874)	(451,483)	(129,998)	(251,477)
Other Financing Receipts / (Disbursements):					
Sale of Notes			455,148		455,148
Transfers-In		253,993	54,598		308,591
Transfers-Out	(290,309)	(18,282)			(308,591)
Advances-In		92,199			92,199
Advances-Out	(161,067)				(161,067)
Other Financing Sources		129,288		9,998	139,286
Other Financing Uses	(52,343)	(129,265)		(9,998)	(191,606)
Total Other Financing Receipts / (Disbursements)	(503,719)	327,933	509,746	0	333,960
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	235,159	(80,941)	58,263	(129,998)	82,483
Fund Cash Balances, January 1	140,586	397,009	69,713	185,593	792,901
Fund Cash Balances, December 31	\$375,745	\$316,068	\$127,976	\$55,595	\$875,384
Reserve for Encumbrances, December 31	\$1,596	\$21,036	\$0	\$0	\$22,632

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$590,925	\$0	\$590,925
Total Operating Cash Receipts	<u>590,925</u>	<u>0</u>	<u>590,925</u>
Operating Cash Disbursements:			
Personal Services	186,330		186,330
Employee Fringe Benefits	91,046		91,046
Contractual Services	146,046		146,046
Supplies and Materials	111,262		111,262
Other	16,363		16,363
Total Operating Cash Disbursements	<u>551,047</u>	<u>0</u>	<u>551,047</u>
Operating Income/(Loss)	<u>39,878</u>	<u>0</u>	<u>39,878</u>
Non-Operating Cash Receipts:			
Loan Proceeds	12,361		12,361
Other Non-Operating Cash Receipts		1,033,423	1,033,423
Total Non-Operating Cash Receipts	<u>12,361</u>	<u>1,033,423</u>	<u>1,045,784</u>
Non-Operating Cash Disbursements:			
Capital Outlay	67,609		67,609
Redemption of Principal	31,736		31,736
Interest and Other Fiscal Charges	24,539		24,539
Other Non-Operating Cash Disbursements		1,038,181	1,038,181
Total Non-Operating Cash Disbursements	<u>123,884</u>	<u>1,038,181</u>	<u>1,162,065</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(71,645)	(4,758)	(76,403)
Advances-In	<u>68,868</u>		<u>68,868</u>
Net Receipts Over/(Under) Disbursements	(2,777)	(4,758)	(7,535)
Fund Cash Balances, January 1	<u>12,853</u>	<u>45,526</u>	<u>58,379</u>
Fund Cash Balances, December 31	<u>\$10,076</u>	<u>\$40,768</u>	<u>\$50,844</u>
Reserve for Encumbrances, December 31	<u>\$589</u>	<u>\$0</u>	<u>\$589</u>

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

VILLAGE OF LOCKLAND
HAMILTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$188,161	\$200,038	\$0	\$0	\$388,199
Municipal Income Tax	2,026,851				2,026,851
Intergovernmental	177,962	704,155		80,000	962,117
Special Assessments		1,138			1,138
Charges for Services	963,035	98,462			1,061,497
Fines, Licenses and Permits	611,127	60,226			671,353
Earnings on Investments	719				719
Payment in Lieu of Taxes			70,772		70,772
Miscellaneous	156,453	22,436			178,889
Total Cash Receipts	4,124,308	1,086,455	70,772	80,000	5,361,535
Cash Disbursements:					
Current:					
Security of Persons and Property	1,726,232	647,201			2,373,433
Public Health Services	3,304				3,304
Leisure Time Activities	32,475	152,091			184,566
Community Environment	64,375				64,375
Basic Utility Service	1,485,828				1,485,828
Transportation		494,741			494,741
General Government	660,728	3,327	1,038		665,093
Capital Outlay		87,932	207,439	32,500	327,871
Debt Service:					
Redemption of Principal			129,438		129,438
Interest and Fiscal Charges			33,309		33,309
Total Cash Disbursements	3,972,942	1,385,292	371,224	32,500	5,761,958
Total Receipts Over/(Under) Disbursements	151,366	(298,837)	(300,452)	47,500	(400,423)
Other Financing Receipts / (Disbursements):					
Sale of Notes			230,659		230,659
Transfers-In		404,645	120,184		524,829
Transfers-Out	(498,871)	(25,958)			(524,829)
Other Financing Sources	189,921	48,707			238,628
Other Financing Uses		(80,069)	(95,120)	(47,500)	(222,689)
Total Other Financing Receipts / (Disbursements)	(308,950)	347,325	255,723	(47,500)	246,598
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(157,584)	48,488	(44,729)	0	(153,825)
Fund Cash Balances, January 1	298,170	348,521	114,442	185,593	946,726
Fund Cash Balances, December 31	\$140,586	\$397,009	\$69,713	\$185,593	\$792,901
Reserve for Encumbrances, December 31	\$12,509	\$29,192	\$0	\$0	\$41,701

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$563,791	\$0	\$563,791
Total Operating Cash Receipts	<u>563,791</u>	<u>0</u>	<u>563,791</u>
Operating Cash Disbursements:			
Personal Services	187,045		187,045
Employee Fringe Benefits	91,311		91,311
Contractual Services	115,012		115,012
Supplies and Materials	103,262		103,262
Other	18,465		18,465
Total Operating Cash Disbursements	<u>515,095</u>	<u>0</u>	<u>515,095</u>
Operating Income/(Loss)	<u>48,696</u>	<u>0</u>	<u>48,696</u>
Non-Operating Cash Receipts:			
Loan Proceeds	112,413		112,413
Other Non-Operating Cash Receipts		814,335	814,335
Total Non-Operating Cash Receipts	<u>112,413</u>	<u>814,335</u>	<u>926,748</u>
Non-Operating Cash Disbursements:			
Capital Outlay	223,636		223,636
Redemption of Principal	20,300		20,300
Interest and Other Fiscal Charges	9,691		9,691
Other Non-Operating Cash Disbursements		802,785	802,785
Total Non-Operating Cash Disbursements	<u>253,627</u>	<u>802,785</u>	<u>1,056,412</u>
Net Receipts Over/(Under) Disbursements	(92,518)	11,550	(80,968)
Fund Cash Balances, January 1	<u>105,371</u>	<u>33,976</u>	<u>139,347</u>
Fund Cash Balances, December 31	<u>\$12,853</u>	<u>\$45,526</u>	<u>\$58,379</u>
Reserve for Encumbrances, December 31	<u>\$10,618</u>	<u>\$0</u>	<u>\$10,618</u>

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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, Ohio (the Village), as a body corporate and politic. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four year term, serves as the President of Council, and votes only to break a tie. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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 resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

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

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

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

5. Enterprise Fund

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.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

6. Fiduciary Funds

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. 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.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. 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:

	2010	2009
Demand deposits	\$530,774	\$456,254
Total deposits	530,774	456,254
STAR Ohio	395,454	395,026
Total investments	395,454	395,026
Total deposits and investments	\$926,228	\$851,280

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

3. Budgetary Activity

Budgetary activity for the years ending 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,351,897	\$4,656,861	\$304,964
Special Revenue	1,473,638	1,406,279	(67,359)
Debt Service	561,195	603,763	42,568
Capital Projects	749,360	619,419	(129,941)
Enterprise	668,998	603,286	(65,712)
Total	\$7,805,088	\$7,889,608	\$84,520

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,388,075	\$4,262,231	\$125,844
Special Revenue	1,649,508	1,600,455	49,053
Debt Service	550,385	545,500	4,885
Capital Projects	869,360	749,417	119,943
Enterprise	618,712	675,520	(56,808)
Total	<u>\$8,076,040</u>	<u>\$7,833,123</u>	<u>\$242,917</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,545,088	\$4,314,229	(\$230,859)
Special Revenue	1,984,106	1,539,807	(444,299)
Debt Service	400,823	421,615	20,792
Capital Projects		80,000	80,000
Enterprise	728,500	676,204	(52,296)
Total	<u>\$7,658,517</u>	<u>\$7,031,855</u>	<u>(\$626,662)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,577,338	\$4,484,322	\$93,016
Special Revenue	1,772,650	1,520,511	252,139
Debt Service	487,378	466,344	21,034
Capital Projects	235,000	80,000	155,000
Enterprise	798,702	779,340	19,362
Total	<u>\$7,871,068</u>	<u>\$7,330,517</u>	<u>\$540,551</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Operating fund by \$56,808 for the year ended December 31, 2010.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax

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

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of 2.1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 2.1 percent tax rate on taxable income.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village at least or quarterly. Corporations and other individual taxpayers are also required to pay and file a final return annually.

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Street Improvement Bond	\$270,000	5%
Various Purpose Bond Anticipation Notes	\$455,148	2%
Ambulance Note	\$50,052	6%
Ohio Public Works Commission Loan CB02C	\$95,092	2%
Ohio Water Development Authority Loan 4619	\$85,221	2%
Ohio Water Development Authority Loan 4809	\$275,487	2%
Ohio Water Development Authority Loan 4669	\$42,589	2%
Ohio Water Development Authority Loan 5165	\$188,790	2%
Total	\$1,462,379	

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

The Various Purpose Bond Anticipation Notes were issued in 2010 to redeem Equipment Acquisition Bond Anticipation Notes issued in 2009 and to purchase equipment for the Village.

The Ohio Public Works Commission (OPWC) loan CB02C relates to water supply and treatment facilities improvements. The Ohio Water Development Authority (OWDA) loan 4619 relates to a waterline extension for Anthony Wayne. The OWDA approved \$94,844 for this project. The Village will repay the loan in semiannual installments of \$2,110, including interest, over 30 years. The final payment is due January, 2037. The Ohio Water Development Authority (OWDA) loan 4809 relates to water treatment plant improvements and equipment. The OWDA approved \$306,000 for this project. The Village will repay this loan in semi-annual payments of \$9,368, including interest, over 20 years. The final payment is due July, 2028. The Ohio Water Development Authority (OWDA) loan 4669 relates to security cameras for the water treatment plant. The OWDA approved \$51,281 for this project. The Village will repay this loan in semi-annual payments of \$1,562, including interest, over 20 years. The final payment is due January, 2027. The Ohio Water Development Authority (OWDA) loan 5165 relates to water system equipment and upgrades. The OWDA approved \$195,316 for this project. The Village will repay this loan in semi-annual payments of \$5,996, including interest, over 20 years. The final payment is due January, 2030. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	Street Improvement Bond	Various Purpose Bond Anticipation Notes	Ambulance Note	OWPC Loan CB02C	OWDA Loan 4619	OWDA Loan 4809	OWDA Loan 4669	OWDA Loan 5165
2011	\$38,940	\$464,706	\$18,382	\$7,828	\$4,219	\$18,735	\$3,124	\$11,993
2012	42,678		18,382	7,828	4,219	18,735	3,124	11,993
2013	41,147		18,382	7,828	4,219	18,735	3,124	11,993
2014	44,603			7,828	4,219	18,735	3,124	11,993
2015	42,800			7,828	4,219	18,735	3,124	11,993
2016-2020	127,220			39,142	21,097	93,676	15,618	59,963
2021-2025				27,399	21,097	93,676	15,618	59,963
2026-2030					21,097	56,205	9,371	53,966
2031-2035					21,097			
2036-2037					10,549			
Total	\$337,388	\$464,706	\$55,146	\$105,681	\$116,032	\$337,232	\$56,227	\$233,857

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, 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, 2010.

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

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

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. Contingent Liabilities

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

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

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

10. Related Party Transactions

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

11. Subsequent Events

In 2011, the Village issued a \$130,000 Equipment Acquisition Bond Anticipation Note and a \$585,000 Equipment Acquisition Bond Anticipation Note for municipal purposes.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Lockland, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated December 29, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 29, 2011.

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

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



Dave Yost
Auditor of State

December 29, 2011

**VILLAGE OF LOCKLAND
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Noncompliance/Material Weakness

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

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

The following items were noted from review of the Village's financial records for 2010 and 2009:

- The Village did not prepare accurate and timely cash reconciliations for all bank accounts during 2010 and 2009. In addition the Village included reconciling items on the book to bank reconciliations for which there was no supporting documentation. The reconciliation reports show that the Village only posted four months of reconciliations for 2010 and ten months of reconciliations for 2009. In 2010, three months of reconciliations were posted to the system in June 2010, and in 2009, six months of reconciliations were posted to the system in December 2009.
- In 2010, fund transfers authorized by Council were not posted to the Village's accounting system. The amounts total \$6,167 out of the General Fund (1000) and \$1,667 to the LPR Grant Fund (2063) and \$4,500 to the Fire Fund (2901).
- In 2010, an audit adjusting entry from previous audits was posted to an incorrect fund on the Village's accounting system. The erroneous entry for \$12,918 resulted in a decrease to the Fire Fund (2901) instead of the Commerce Park Development Fund (2911).
- In 2010, the Village posted numerous adjustments and reclassifications to the Jim Brown Park Fund (2046) in an attempt to correct certain entries posted in 2009. The Village's entries did correct an error noted below, but included other erroneous entries which resulted in a net decrease to the fund balance by \$38,023. Audit adjustments to reverse these entries and restore the fund balance were made on the accompanying financial statements and accounting records.
- In 2010, the Village did not post intergovernmental revenue of \$940 to the Fire Fund.
- In 2009, the Village erroneously posted income tax receipts of \$426 on two separate receipt postings.
- In 2009, the Village erroneously posted intergovernmental revenue of \$2,338 to the Street Fund (2011) instead of the General Fund (1000).
- In 2009, the Village posted a fund transfer from the General Fund (1000) to the Jim Brown Park Fund (2046) for an additional \$5,500 that was not approved by Council.

**FINDING NUMBER 2010-01
(Continued)**

- In 2009, the Village posted numerous adjustments and reclassifications to the Jim Brown Park Fund (2046) to re-allocate revenue from the Elm Street Park Grant Fund (2064). The net result of the Village entries was to erroneously increase the fund balance by \$38,023. The Village posted a fund balance adjustment as of January 1, 2010 to correct this entry.
- In 2009, the Village erroneously posted lease interest payment of \$1,147 to the Note Retirement Fund (3401) instead of the Other Debt Service Fund (3902).
- In 2010 and 2009, tax revenue was not posted at gross along with related fees for the General Fund (1000), the Fire Fund (2901) and the GO Bond Retirement Fund (3101).
- In 2009, an on-behalf of payment from the Ohio Public Works Commission was not posted to the Lock Street Bridge Project Fund (4904) totaling \$32,500.

Also, during 2010 and 2009, the Village posted certain receipt and disbursement transactions to incorrect transaction classifications which required material audit adjustments.

Adjustments were made by the Village on the accompanying financial statements and accounting records where applicable for all of the issues noted above. Failure to accurately prepare the accounting records reduces the accountability over Village funds, reduces Council's ability to monitor financial activity, and increases the likelihood that the Village's financial statements will be misstated. We recommend that the Village use due care in posting all revenues and disbursements of the Village.

As noted above, bank to book reconciliations were not completed in a timely manner, and issues identified in reconciliations that were completed were not resolved in a timely manner. Also, the Village's Payroll Clearing Account maintained excess funds due to the amounts transferred to cover payroll being estimated and remaining excesses not transferred back to the general account. Once audit adjustments were posted, the bank balance exceeded the adjusted book balance by \$4,974. This variance is not significant to the financial statements therefore adjustments were not made to the financial statements or the accounting records.

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

Officials' Response:

The Village is aware of this condition and is in the process of implementing controls to reduce these types of errors.

FINDING NUMBER 2010-02

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

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

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

The Village did not properly certify the availability of funds for purchase commitments for 55% of expenditures tested for 2010 and 61% of expenditures tested for 2009 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Financial Services Manager certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2010-02
 (Continued)**

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

Officials' Response:

The Village strives to obtain certification prior to obligation of funds.

FINDING NUMBER 2010-003

Noncompliance

Ohio Rev. Code, Section 5705.41(B), states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

As of December 31, 2010, the following variance was noted:

	<u>Total Appropriations</u>	<u>Total Budgetary Expenditures</u>	<u>Variance</u>
Water Fund (5101)	\$618,712	\$675,520	(\$56,808)

We recommend that the Village monitor budgetary expenditures in comparison to the total approved appropriations at the legal level of control. This will assist the Village in avoiding budgetary expenditures in excess of appropriations and help to avoid the possibility of negative fund balances.

Officials' Response:

This resulted from prior year encumbrances and unexpected expenses at year end. The Village will monitor these variances for future years.

**VILLAGE OF LOCKLAND
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 733.28 and Ohio Admin. Code Section 117-2-02(A) regarding maintaining accurate financial records of the Village. Timely and complete bank to book reconciliations.	No	Reissued as Finding 2010-01.
2008-002	Ohio Rev. Code Section 5705.41(D) regarding lack of certification of availability of funds.	No	Reissued as Finding 2010-02.
2008-003	Ohio Admin. Code Section 117-2-02(A) regarding maintaining accurate financial records of the Village Mayor's Court. Timely and complete bank to book reconciliations	No	Reported in the Management Letter for 2010 and 2009.
2008-004	Ohio Rev. Code Section 149.351 regarding destruction of records related to certain records or supporting documentation not maintained by the Village.	Yes	
2008-005	Internal control weaknesses related to segregation of duties, check signing and Council oversight of the finance function.	No	Reported in the Management Letter for 2010 and 2009.

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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
JANUARY 17, 2012