



Mary Taylor, CPA
Auditor of State

**Village of Lockland
Hamilton County, Ohio**

Termination of Fiscal Watch

Local Government Services Section

Village of Lockland

Termination of Fiscal Watch

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Termination of Fiscal Watch

Pursuant to a request from the Mayor of the Village of Lockland to remove the Village from fiscal watch, the Auditor of State has conducted a review of the financial condition of the Village as of December 31, 2007. This review has determined that the Village of Lockland no longer meets the fiscal watch conditions set forth in Section 118.022 of the Ohio Revised Code. Accordingly, the Village of Lockland's status of fiscal watch is hereby terminated as of October 20, 2008.

This report is hereby submitted and filed with Jim Brown, Mayor of the Village of Lockland and Dusty Rhodes, Secretary of the Hamilton County Budget Commission.

Mary Taylor

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Auditor of State

October 20, 2008

Village of Lockland, Hamilton County

Termination of Fiscal Watch

Introduction

Section 118.022, Ohio Revised Code describes four conditions which justify placing a Village in fiscal watch. These conditions are: 1) significant accounts that have been due and payable for more than thirty days; 2) substantial deficit fund balances; 3) positive fund balances which exceed the balance in money and marketable securities held by the Village; and 4) a forecasted deficit in the Village's general fund for the current year.

On September 30, 2003, the Village of Lockland was declared to be in fiscal watch because a review of the Village's financial condition indicated that conditions 2 and 3 were present as of December 31, 2002.

On January 29, 2007, the Mayor of the Village of Lockland requested that the Auditor of State perform a review of the Village's financial condition as of December 31, 2006, to determine if the Village's improved financial condition justifies release from fiscal watch. Due to a special audit being conducted, the review was postponed until the completion of the special audit, which occurred August 19, 2008, with the release of the special audit report. In order to be removed from fiscal watch, all fiscal watch conditions have to have been eliminated.

This report provides a detailed description of each condition, the specific procedures we performed to determine if any of the conditions still existed as of December 31, 2007, and the corresponding results of our analysis.

General and Special Funds Accounts Payable

Section 118.022(A)(1) of the Ohio Revised Code defines a fiscal watch condition as the existence of either of the following situations:

- (a) All accounts that were due and payable from the general fund of a municipal corporation, county, or township at the end of the preceding fiscal year that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund, exceeded one-twelfth of the general fund budget for that year.
- (b) All accounts that were due and payable at the end of the preceding fiscal year from all funds of the municipal corporation, county, or township and that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds available to pay those accounts, exceeded one-twelfth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which those accounts are payable.

We prepared a schedule of accounts payable as of December 31, 2007, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2007, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount, we subtracted the year-end fund balance available in the general fund to pay such accounts payable. Since the general fund balance available exceeded the accounts payable over 30 days past due, we did not have to determine whether the accounts payable in excess of the available fund balance exceeded one-twelfth of the general fund budget for 2007.

Village of Lockland, Hamilton County

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Schedule I

General Fund Accounts Payable Over 30 Days Past Due

Ohio Revised Code Section 118.022(A)(1)(a)

As of December 31, 2007

	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
General Fund	\$11,515	\$241,945	\$230,430

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2007. From this amount, we subtracted the year-end fund balance in the general fund and the respective funds available to pay such outstanding bills. Since the general fund and the water operating fund balances exceeded the accounts payable for those funds, we did not have to determine whether the accounts payable in excess of the available fund balances exceeded one-twelfth of the available revenues during 2007. We did, however, continue the analysis to make this comparison for the fire levy fund.

Schedule II

Accounts Payable From All Funds Over 30 Days Past Due

Ohio Revised Code Section 118.022(A)(1)(b)

As of December 31, 2007

Funds	Payables Over 30 Days Past Due	Fund Balances Available	Balances Available In Excess of Payables	Less 1/12th of the Available Revenues	Payables in Excess of Available Revenues
General	\$11,515	\$241,945	\$230,430	\$0	\$0
Fire Levy	491	0	(491)	27,568	0
Water Operating	3,106	168,018	164,912	0	0
	<u>\$15,112</u>	<u>\$409,963</u>	<u>\$394,851</u>	<u>\$27,568</u>	<u>\$0</u>

Village of Lockland, Hamilton County

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At December 31, 2007, the Village had a balance due to the Auditor of State for services resulting from a special audit that occurred in 2007. The Village has entered into an agreement with the Auditor of State to make monthly payments until the outstanding balance is paid in full. As of the issuance of this report, the Village is current with their monthly payments. The outstanding balance, therefore, is not included in Schedules I or II above.

Conclusion: Schedules I and II indicate that a fiscal watch condition does not exist under Section 118.022(A)(1)(a) or Section 118.022(A)(1)(b) of the Ohio Revised Code as of December 31, 2007.

Deficit Fund Balances

Section 118.022(A)(2) of the Ohio Revised Code defines a fiscal watch condition as:

The aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeded one-twelfth of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We examined the fund financial statements of the Village for any deficit funds. The Village had no deficit fund balances as of December 31, 2007; no further analysis was performed.

Conclusion: A fiscal watch condition does not exist under Section 118.022(A)(2) of the Ohio Revised Code as of December 31, 2007. All funds had positive balances at year-end.

Treasury Deficiency

Section 118.022 (A)(3) of the Ohio Revised Code defines a fiscal watch condition as:

At the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds, the purposes of which the unsegregated treasury is held to meet, and that deficiency exceeded one-twelfth of the total amount received into the unsegregated treasury during the preceding fiscal year.”

We calculated the unsegregated treasury balance of the Village as of December 31, 2007. From the treasury balance, we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit.

Village of Lockland, Hamilton County

Termination of Fiscal Watch

Schedule III

Treasury Balance	
Ohio Revised Code Section 118.022(A)(3)	
As of December 31, 2007	
<hr/>	
Treasury Balance:	
Fifth Third Checking – General Account	\$779,874
STAROhio	384,100
Total Treasury Balance	<u>1,163,974</u>
Adjustments:	
Outstanding Checks	(113,365)
Other Adjustments:	
Bank Fees/Merchant Fees/NFS Check not posted	(899)
Unknown Adjustment	(632)
Duplicate Deposits/Deposit Adjustment	(4,060)
Deposits not posted to the books	(81,224)
Transfers not posted to the books	(47,386)
Total Adjustments	<u>(247,566)</u>
Total Adjusted Treasury Balance	<u>916,408</u>
Less Positive Cash Fund Balances:	
General	242,717
Street Construction	24,129
U.S. EPA Brownfield	32,198
State Grants	2,696
Elm Street Park Grant	43,096
Drug Law Enforcement	20,389
Law Enforcement	1,217
UDAG	62,458
Mayor's Court Computer	19,333
Alcohol Enforcement Trust	56
Commerce Park Development	972
General Obligation	113,104
Community Development	842
MRF I-75 IMS	120,000
Water Operating	233,201
Total Positive Cash Fund Balances	<u>916,408</u>
Treasury Balance Less Positive Fund Balances	<u><u>\$0</u></u>

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Conclusion: Schedule III indicates that a fiscal watch condition does not exist under Section 118.022(A)(3) of the Ohio Revised Code as of December 31, 2007. The treasury balance equaled the positive fund cash balances; therefore, no further calculations were needed.

Forecasted General Fund Deficit

Section 118.022 (A)(4) of the Ohio Revised Code defines a fiscal watch condition as:

“The existence of a condition in which, based on an examination of the financial forecast approved by the legislative authority of a municipal corporation, county, or township, the Auditor of State certifies that the general fund deficit at the end of the current fiscal year will exceed one-twelfth of the general fund revenue from the preceding fiscal year.”

We compared the estimated resources to appropriations and reviewed the estimated and actual receipts and the appropriations and cash disbursements plus encumbrances for 2008. The Village’s estimated resources were sufficient to support the appropriations for the current year and the estimated receipts and appropriations appear reasonable in comparison to actual year-to-date receipts and expenditures. Therefore, the examination of a financial forecast for the year ending December 31, 2008 was considered unnecessary.

Summary

This analysis indicates that the fiscal watch conditions that existed at December 31, 2002 have been corrected. The improvement in the Village of Lockland’s financial condition justifies the Village’s release from fiscal watch.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.



Mary Taylor, CPA
Auditor of State

VILLAGE OF LOCKLAND

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 20, 2008