



Dave Yost • Auditor of State



VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2009.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2008.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19
Schedule of Prior Audit Findings .....	23

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# Dave Yost • Auditor of State

Village of Lincoln Heights  
Hamilton County  
1201 Steffen Avenue  
Cincinnati, 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

February 22, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Lincoln Heights  
Hamilton County  
1201 Steffen Avenue  
Cincinnati, Ohio 45215

To the Village Council:

We have audited the accompanying financial statements of the Village of Lincoln Heights, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008. 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. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position 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 Lincoln Heights, Hamilton County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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.

As described in Note 2, the Village restated the January 1, 2008 fund balance for the fiduciary fund type to record additional cash deposited to the bank in previous periods not reflected on the financial statements, to eliminate a stale reconciling item and to correct the timing of recording certain disbursements on the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 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.

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

**Dave Yost**  
Auditor of State

February 22, 2011



**VILLAGE OF LINCOLN HEIGHTS  
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**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$345,626	\$563,126	\$0	\$0	\$908,752
Municipal Income Tax	661,050				661,050
Intergovernmental	176,375	225,505			401,880
Charges for Services	167,904				167,904
Fines, Licenses and Permits	116,949	7,577			124,526
Earnings on Investments	774				774
Miscellaneous	23,937	23,052			46,989
<b>Total Cash Receipts</b>	<u>1,492,615</u>	<u>819,260</u>	<u>0</u>	<u>0</u>	<u>2,311,875</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	608,485	509,238			1,117,723
Public Health Services	1,815				1,815
Leisure Time Activities		17,631			17,631
Community Environment	37,737				37,737
Basic Utility Service		140,210			140,210
Transportation		193,882			193,882
General Government	716,348	3,990			720,338
Debt Service		2,576			2,576
Capital Outlay				9,796	9,796
<b>Total Cash Disbursements</b>	<u>1,364,385</u>	<u>867,527</u>	<u>0</u>	<u>9,796</u>	<u>2,241,708</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>128,230</u>	<u>(48,267)</u>	<u>0</u>	<u>(9,796)</u>	<u>70,167</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In		70,000			70,000
Transfers-Out	(70,000)				(70,000)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>(70,000)</u>	<u>70,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>58,230</u>	<u>21,733</u>	<u>0</u>	<u>(9,796)</u>	<u>70,167</u>
<b>Fund Cash Balances, January 1</b>	<u>571,119</u>	<u>253,622</u>	<u>61</u>	<u>44,633</u>	<u>869,435</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$629,349</b></u>	<u><b>\$275,355</b></u>	<u><b>\$61</b></u>	<u><b>\$34,837</b></u>	<u><b>\$939,602</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$48,285</b></u>	<u><b>\$13,601</b></u>	<u><b>\$0</b></u>	<u><b>\$2,268</b></u>	<u><b>\$64,154</b></u>

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

VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY

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

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	<u>\$109,148</u>
Total Non-Operating Cash Receipts	<u>109,148</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>104,526</u>
Total Non-Operating Cash Disbursements	<u>104,526</u>
Net Receipts Over Disbursements	4,622
Fund Cash Balances, January 1	<u>44,969</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$49,591</u></u></b>

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

**VILLAGE OF LINCOLN HEIGHTS  
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, 2008**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$360,156	\$626,612	\$0	\$0	\$986,768
Municipal Income Tax	692,569				692,569
Intergovernmental	197,330	200,744		206,806	604,880
Special Assessments	1,277				1,277
Charges for Services	179,475				179,475
Fines, Licenses and Permits	97,981	3,802			101,783
Earnings on Investments	6,549				6,549
Miscellaneous	2,626	17,926			20,552
<b>Total Cash Receipts</b>	<u>1,537,963</u>	<u>849,084</u>	<u>0</u>	<u>206,806</u>	<u>2,593,853</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	650,833	423,951			1,074,784
Public Health Services	1,709				1,709
Leisure Time Activities		16,125			16,125
Community Environment	34,464				34,464
Basic Utility Service		139,337			139,337
Transportation		173,808			173,808
General Government	757,897	200			758,097
Debt Service		37,892			37,892
Capital Outlay		33,077		234,557	267,634
<b>Total Cash Disbursements</b>	<u>1,444,903</u>	<u>824,390</u>	<u>0</u>	<u>234,557</u>	<u>2,503,850</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>93,060</u>	<u>24,694</u>	<u>0</u>	<u>(27,751)</u>	<u>90,003</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In		60,000		14,000	74,000
Transfers-Out	(74,000)				(74,000)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>(74,000)</u>	<u>60,000</u>	<u>0</u>	<u>14,000</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>19,060</u>	<u>84,694</u>	<u>0</u>	<u>(13,751)</u>	<u>90,003</u>
<b>Fund Cash Balances, January 1</b>	<u>552,059</u>	<u>168,928</u>	<u>61</u>	<u>58,384</u>	<u>779,432</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$571,119</u></u>	<u><u>\$253,622</u></u>	<u><u>\$61</u></u>	<u><u>\$44,633</u></u>	<u><u>\$869,435</u></u>
<b>Reserve for Encumbrances, December 31</b>	<u><u>\$55,053</u></u>	<u><u>\$16,810</u></u>	<u><u>\$0</u></u>	<u><u>\$2,012</u></u>	<u><u>\$73,875</u></u>

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

VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Cash Receipts	<u>\$79,705</u>
Total Non-Operating Cash Receipts	<u>79,705</u>
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>81,475</u>
Total Non-Operating Cash Disbursements	<u>81,475</u>
Net Receipts Under Disbursements	(1,770)
Fund Cash Balances, January 1 Restated	<u>46,739</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$44,969</u></u></b>

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

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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 Lincoln Heights, Hamilton County, Ohio (the Village), as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides road maintenance, fire, police, and basic life support services. The Village contracts with the City of Wyoming to provide advanced life support services.

The Village participates in the Public Entities Pool of Ohio public entity risk pool which provides the Village with liability and property insurance coverage. Note 8 to the financial statements provides additional information for this entity.

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

**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 funds are deposited in checking accounts and certificates of deposits. The Village values certificates of deposit at cost.

**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 LINCOLN HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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.

Police Fund - This fund receives property tax money for providing police protection services for the Village and its residents.

Fire Fund - This fund receives property tax money for providing fire and emergency services to the Village and its residents.

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt.

**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:

Other Capital Projects - This fund receives transfers from the General Fund and is used to account for various capital projects not requiring a separate fund.

CDBG - This fund receives monies from Hamilton County Development Block Grant Funds for the Magnolia Drive Improvements.

**5. 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

Mayor's Court Fund (Agency Fund) - This fund accounts for monies that are received and disbursed with regards to Mayor's Court operations.

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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. 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.

A summary of 2009 and 2008 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.

**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.

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**2. Prior Period Restatement**

The Village restated the January 1, 2008 fund balance for the Fiduciary Fund Type as follows:

Fund Balance, December 31, 2007:	\$29,655
Prior Period Adjustments:	
A. Increase Fund Balance to record additional cash deposited in previous periods to the bank that was not reflected on the financial statements (amounts were reflected as reconciling items on the Village's bank reconciliation) and to eliminate a stale reconciling item.	11,169
B. Increase Fund Balance for timing of disbursements recorded on the financial statements in December, 2007, which were actually not prepared and processed by the Village until January, 2008:	<u>5,915</u>
Fund Balance, January 1, 2008 (Restated):	<u><u>\$46,739</u></u>

The accompanying financial statements reflect the above adjustments.

**3. Equity in Pooled Deposits and Investments**

The Village maintains a deposit 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:

	2009	2008
Demand deposits	\$734,352	\$659,920
Certificates of deposit	243,672	243,315
Total deposits	\$978,024	\$903,235

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,473,600	\$1,492,615	\$19,015
Special Revenue	1,079,081	889,260	(189,821)
Capital Projects	54,000		(54,000)
Total	\$2,606,681	\$2,381,875	(\$224,806)



**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,788,311	\$1,482,670	\$305,641
Special Revenue	1,140,078	881,128	258,950
Capital Projects	56,012	12,064	43,948
Total	<u>\$2,984,401</u>	<u>\$2,375,862</u>	<u>\$608,539</u>

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,416,350	\$1,537,963	\$121,613
Special Revenue	893,100	909,084	15,984
Capital Projects	185,800	220,806	35,006
Total	<u>\$2,495,250</u>	<u>\$2,667,853</u>	<u>\$172,603</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,726,202	\$1,573,956	\$152,246
Special Revenue	949,738	841,200	108,538
Capital Projects	220,943	236,569	(15,626)
Total	<u>\$2,896,883</u>	<u>\$2,651,725</u>	<u>\$245,158</u>

In 2008, the CDBG Capital Projects Fund had expenditures in excess of appropriations.

**5. 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.

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. Local Income Tax**

The Village levies a municipal income tax of 2 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

**7. Debt**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
OPWC Street Program Loan	\$33,490	0%
State Fire Marshal Loan	\$62,335	0%
Total	\$95,825	

The Village acquired an interest free loan in the amount of \$51,522 in April, 2003 from an Ohio Public Works Commission (OPWC) Street Program Loan that was issued to facilitate improvements to Village Streets. The Village will repay the loan in semiannual installments of \$1,288 over twenty years.

The Village acquired a loan in December 2002 from the Small Government Fire Departmental Services Revolving Loan Program which was approved and administered by the State Fire Marshal. The interest free loan was issued in the amount of \$95,932 for the purpose of purchasing an Emergency Medical Services vehicle. The Village will repay the loan in quarterly installments of \$1,200 over twenty years.

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

	OPWC Street Program Loan	State Fire Marshal Loan	Total All Debt
Year ending December 31:			
2010	\$2,576	\$4,800	\$7,376
2011	2,576	4,800	7,376
2012	2,576	4,800	7,376
2013	2,576	4,800	7,376
2014	2,576	4,800	7,376
2015-2019	12,881	24,000	36,881
2020-2023	7,729	14,335	22,064
Total	\$33,490	\$62,335	\$95,825

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. Retirement Systems**

The Village's certified Fire Fighters and 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 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2009 and 2008, 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, 2009.

**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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**9. Risk Management (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$44,000.

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

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$46,947	\$44,588

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. 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.



# 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 Lincoln Heights  
Hamilton County  
1201 Steffen Avenue  
Cincinnati, Ohio 45215

To the Village Council:

We have audited the financial statements of the Village of Lincoln Heights, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated February 22, 2011, wherein we noted the Village restated the January 1, 2008 fund balance for the fiduciary fund type and the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 2009-001 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 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 22, 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, the Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

February 22, 2011

VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2009-001

**Noncompliance/Material Weakness**

**Ohio Rev. Code, Section 1905.01(F)**, states in keeping a docket and files, the mayor, and a mayor's court magistrate appointed under section 1905.05 of the Revised Code shall be governed by the laws pertaining to county courts.

**Ohio Rev. Code, Section 1907.20(B)**, states, in pertinent part, the clerk shall file and safely keep all journals, records, books and papers belonging or appertaining to the court, record its proceedings, perform all other duties that the judges of the court may prescribe, and keep a book showing all receipts and disbursements, which shall be open for public inspection at all times.

**Ohio Admin. Code, Section 117-2-02**, states in part that:

- (A) 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.
- (B) The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

Prior to January 1, 2008, the Village entered certain amounts received by the Mayor's Court onto the court accounting system; however the amounts were not distributed to the appropriate agency.

Additionally, prior to January 1, 2008, the Village did not enter certain amounts received by the Mayor's Court onto the court accounting system and were also not distributed to the appropriate agency. The Village restated the January 1, 2008 fund balance for the fiduciary fund type to record all additional cash deposited in previous periods to the bank that was not reflected on the financial statements, to correct an outdated reconciling item and to correct the timing of recording certain disbursements on the financial statements, as follows:

**FINDING NUMBER 2009-001  
(Continued)**

Fund Balance, December 31, 2007 (per prior year audit report):	\$29,655
Prior Period Adjustments:	
A. Increase Fund Balance to record additional cash deposited in previous periods to the bank that was not reflected on the financial statements (amounts were reflected as reconciling items on the Village's bank reconciliation) and to eliminate a stale reconciling item.	11,169
B. Increase Fund Balance for timing of disbursements recorded on the financial statements in December, 2007, which were actually not prepared and processed by the Village until January, 2008:	<u>5,915</u>
Fund Balance, January 1, 2008 (Restated):	<u><u>\$46,739</u></u>

The accompanying financial statements and the accounting system reflect the above adjustments.

Currently, there are outstanding findings for recovery due to the Village. We recommend that any monies recovered by the Village should be entered into the court accounting system, distributed to the appropriate agency, and the activity recorded on the financial statements.

We also recommend the Village develop and implement procedures to provide for the distribution of all monies held as of December 31, 2009 which were collected and deposited prior to January 1, 2008, to the appropriate agency in accordance with the Ohio Revised Code. In addition, the Village needs to develop effective review procedures to monitor the monies collected, deposited to the bank, and recorded on the accounting system, as well as monitor the activity reported on the financial statements.

**Officials' Response:**

On February 28, 2011, Council passed Resolution No. 2011-R-3 authorizing the Clerk of Court to make distributions to the appropriate agencies. This will occur immediately and the PNC account will be closed forthwith. The Mayor, Court Clerk, Finance Officers and the Chief of Police are in the process of reviewing the current collection and bank deposit procedures. The revised measures will be noted and forwarded to your office.



**FINDING NUMBER 2009-002**

**Noncompliance**

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

As of December 31, 2008, the following variance was noted relating to an on-behalf of project of the Village:

	<u>Total Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
CDBG Capital Projects Fund	\$0	\$88,917	(\$88,917)

We recommend that the Village monitor budgetary expenditures in comparison to approved appropriations to ensure that budgetary expenditures do not exceed appropriations at the legal level of control. Expending more than appropriations could result in negative fund balances.

**Officials' Response:**

We were not aware that the grant funds not received or disbursed by the Village had to be recorded in the Village's accounting records. After completion of the prior Audit we were informed that all funds and grants awarded should be appropriated and recorded into the Village's books as memo entries. The books for year ending 2008 were already closed out prior to receiving this information, therefore the Funds received for CDBG were not included in the records, however they were included on the Village Financial Annual Report to show the funds we received during the calendar year 2008. The Village is currently appropriating all grant funds awarded, and posting in the Village's Accounting records.

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**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2007-001	Ohio Rev. Code 117.28 – Finding for Recovery for \$119.85 for miscalculation of final sick leave balance payout for an employee in 2007.	Yes	
2007-002	Ohio Rev. Code Section 733.28 and Ohio Admin. Code Section 117-2-02 regarding Village records not being maintained properly.	No	Partially Corrected – The Village’s transaction postings were recorded properly. Bank reconciliations were completed timely and accurately. The unreconciled book balance which was greater than the unreconciled bank balance at January 1, 2008 by \$4,448 remained constant and unchanged during 2009 and 2008.  Reissued in the Management Letter.
2007-003	Ohio Rev. Code Section 5705.41 (D) regarding lack of certification of availability of funds	Yes	
2007-004	Ohio Rev. Code Section 733.40 and 2743.70(A)(1) regarding collection and remittance of finds, forfeitures and costs of the Mayor’s Court to the appropriate agencies. Also, Ohio Admin. Code Section 117-2-02 regarding Village court records not being maintained properly.	No	Partially Corrected – The Village maintained a substantial amount of money in the Mayor’s Court bank accounts relating to collections of prior years which the Village needs to distribute to the appropriate agency. Reissued as part of Finding 2009-001.
2007-005	Ohio Rev. Code Section 1905.01(F) and 1907.20(B) and Ohio Admin. Code Section 117-2-02 regarding Village court records not being maintained properly. Also, Ohio Rev. Code 9.38 regarding timely depositing of funds.	Yes	
2007-006	Ohio Rev. Code Section 5705.36(A)(4) regarding estimated resources that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations.	Yes	
2007-007	Significant Deficiency regarding the Village’s internal control environment relating to non-payroll disbursements.	Yes	

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# Dave Yost • Auditor of State

VILLAGE OF LINCOLN HEIGHTS

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  
MARCH 24, 2011