

VILLAGE OF LINCOLN HEIGHTS
December 31, 2001 and 2000

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*



STATE OF OHIO
OFFICE OF THE AUDITOR

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Members of Council
Village of Lincoln Heights
1201 Steffens Avenue
Lincoln Heights, Ohio 45215

We have reviewed the Independent Auditor's Report of the Village of Lincoln Heights, Hamilton County, prepared by VohLehman & Company, Inc., for the audit period January 1, 2000 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 22, 2002

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HAMILTON COUNTY, OHIO
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**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY, OHIO**

VILLAGE OFFICIALS

MAYOR

Shirley Salter

COUNCIL MEMBERS

Richard Headen

Mayme L. Mitchell

Jeanette Shamel

Wanda Thomas

Margaret Thompson

Ester Toran

DEPARTMENT HEADS

Village Manager

Carol Cornelison

Village Finance Director

Carol Cornelison

Village Police Chief

Ernie McCowen



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of Council
Village of Lincoln Heights
Lincoln Heights, Ohio

We have audited the accompanying financial statements of the Village of Lincoln Heights, Hamilton County, Ohio, as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. 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 audits.

We have conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Village of Lincoln Heights prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash and combined fund cash balances of the Village of Lincoln Heights, Hamilton County, Ohio, as of December 31, 2001 and 2000, its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 1.

Honorable Mayor and Members of Council
Village of Lincoln Heights
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In accordance with Government Auditing Standards, we have also issued a report dated June 17, 2002 on our consideration of the Village of Lincoln Heights' internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the management and Council of the Village of Lincoln Heights and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Cincinnati, Ohio
June 17, 2002

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF CASH
AND FUND CASH BALANCES
ALL FUND TYPES**

December 31, 2001

Cash and Investment \$ 648,930

FUND CASH BALANCES BY FUND TYPE

Governmental Funds

General Fund	\$ 147,473
Special Revenue Funds	426,898
Capital Projects Fund	56,007
Debt Service Fund	<u>991</u>
	631,369

Fiduciary Funds

Trust and Agency Funds	<u>17,561</u>
	\$ <u><u>648,930</u></u>

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF CASH
AND FUND CASH BALANCES
ALL FUND TYPES**

December 31, 2000

Cash	\$ <u><u>691,253</u></u>
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FUND CASH BALANCES BY FUND TYPE

Governmental Funds

General Fund	\$ 96,417
Special Revenue Funds	577,829
Capital Projects Fund	-
Debt Service Fund	<u>661</u>
	674,907

Fiduciary Funds

Trust and Agency Funds	<u>16,346</u>
	\$ <u><u>691,253</u></u>

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS**

	Year Ended December 31, 2001				
	Governmental Fund Types				
	General Fund	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Totals (Memorandum Only)
Receipts					
Taxes	\$ 1,011,891	\$ 126,073	\$ -	\$ -	\$ 1,137,964
Intergovernmental Receipts	184,945	144,048	-	-	328,993
Charges for Services	44,627	-	-	-	44,627
Special Assessments	25,679	-	-	-	25,679
Fines, Licenses and Permits	13,630	4,559	-	-	18,189
Miscellaneous	109,969	128,881	69,168	-	308,018
Total Receipts	<u>1,390,741</u>	<u>403,561</u>	<u>69,168</u>	<u>-</u>	<u>1,863,470</u>
Disbursements					
Security of Persons and Property	619,584	106,112	-	-	725,696
Public Health Services	1,423	-	-	-	1,423
Leisure Time Activities	1,665	91,208	-	-	92,873
Community Environment	27,652	-	-	-	27,652
Basic Utilities Services	229,084	-	-	-	229,084
Transportation	2,010	217,415	13,161	-	232,586
General Government	515,212	47,760	-	-	562,972
Debt Service	-	-	-	109,270	109,270
Capital Outlay	1,568	-	-	-	1,568
Total Disbursements	<u>1,398,198</u>	<u>462,495</u>	<u>13,161</u>	<u>109,270</u>	<u>1,983,124</u>
(Deficit) Excess of Receipts Over Disbursements	(7,457)	(58,934)	56,007	(109,270)	(119,654)
Other Financing Sources (Uses)					
Transfers - In	82,991	-	-	109,600	192,591
Transfers - Out	(24,300)	(91,997)	-	-	(116,297)
Other Services	(178)	-	-	-	(178)
Excess (Deficit) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	51,056	(150,931)	56,007	330	(43,538)
Beginning Fund Cash Balance	<u>96,417</u>	<u>577,829</u>	<u>-</u>	<u>661</u>	<u>674,907</u>
Ending Fund Cash and Investment Balance	<u>\$ 147,473</u>	<u>\$ 426,898</u>	<u>\$ 56,007</u>	<u>\$ 991</u>	<u>\$ 631,369</u>

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN FUND CASH BALANCES - ALL
 FIDUCIARY FUNDS**

	Year Ended December 31, 2001		
	Expendable Trust Fund	Agency Fund	Totals (Memorandum Only)
Operating Receipts			
Local Taxes	\$ 7,549	\$ -	\$ 7,549
Intergovernmental Receipts	-	-	-
Miscellaneous	-	93,803	93,803
	7,549	93,803	101,352
Operating Disbursements			
Security of Persons and Property	3,561	-	3,561
General Government	-	20,282	20,282
	3,561	20,282	23,843
Operating Income	3,988	73,521	77,509
Other Financing Uses			
Transfers - Out	-	(76,294)	(76,294)
Net Income	3,988	(2,773)	1,215
Beginning Fund Cash Balance	7,700	8,646	16,346
Ending Fund Cash Balance	\$ 11,688	\$ 5,873	\$ 17,561

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS**

	Year Ended December 31, 2000				
	Governmental Fund Types				
	General Fund	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Totals (Memorandum Only)
Receipts					
Taxes	\$ 931,427	\$ 126,508	\$ -	\$ -	\$ 1,057,935
Intergovernmental Receipts	209,565	121,930	-	-	331,495
Charges for Services	46,299	-	-	-	46,299
Special Assessments	-	-	-	-	-
Fines, Licenses and Permits	27,155	4,973	-	-	32,128
Miscellaneous	24,740	109,917	-	-	134,657
Total Receipts	<u>1,239,186</u>	<u>363,328</u>	<u>-</u>	<u>-</u>	<u>1,602,514</u>
Disbursements					
Security of Persons and Property	603,913	139,123	-	-	743,036
Public Health Services	703	-	-	-	703
Leisure Time Activities	10,440	148,866	-	-	159,306
Community Environment	33,824	-	-	-	33,824
Basic Utilities Services	197,553	-	-	-	197,553
Transportation	21,727	143,883	-	-	165,610
General Government	498,404	46,774	-	-	545,178
Debt Service	-	-	-	85,842	85,842
Capital Outlay	3,105	-	-	-	3,105
Total Disbursements	<u>1,369,669</u>	<u>478,646</u>	<u>-</u>	<u>85,842</u>	<u>1,934,157</u>
Deficit of Receipts Over Disbursements	(130,483)	(115,318)	-	(85,842)	(331,643)
Other Financing Sources (Uses)					
Transfers - In	85,296	47,000	-	86,503	218,799
Transfers - Out	(62,291)	(71,212)	-	-	(133,503)
(Deficit) Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(107,478)	(139,530)	-	661	(246,347)
Beginning Fund Cash Balance	<u>203,895</u>	<u>717,359</u>	<u>-</u>	<u>-</u>	<u>921,254</u>
Ending Fund Cash Balance	<u>\$ 96,417</u>	<u>\$ 577,829</u>	<u>\$ -</u>	<u>\$ 661</u>	<u>\$ 674,907</u>

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL
FIDUCIARY FUNDS**

	Year Ended December 31, 2000		
	Expendable Trust Fund	Agency Fund	Totals (Memorandum Only)
Operating Receipts			
Local Taxes	\$ 6,556	\$ -	\$ 6,556
Intergovernmental Receipts	758	-	758
Miscellaneous	32	110,185	110,217
Total Operating Receipts	7,346	110,185	117,531
Operating Disbursements			
Security of Persons and Property	8,290	-	8,290
General Government	-	16,243	16,243
Total Operating Disbursements	8,290	16,243	24,533
Operating (Loss) Income	(944)	93,942	92,998
Other Financing Uses			
Transfers - Out	-	(85,296)	(85,296)
Net (Loss) Income	(944)	8,646	7,702
Beginning Fund Cash Balance	8,644	-	8,644
Ending Fund Cash Balance	\$ 7,700	\$ 8,646	\$ 16,346

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL**

Fund Type/Funds	Year Ended December 31, 2001		
	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Type			
General	\$ 1,382,307	\$ 1,473,732	\$ 91,425
Special Revenue	797,054	403,561	(393,493)
Capital Projects	-	69,168	69,168
Debt Service	13,640	109,600	95,960
Fiduciary Fund Type			
Trust Fund	6,884	7,549	665
 Totals (Memorandum Only)	 \$ 2,199,885	 \$ 2,063,610	 \$ (136,275)

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL**

<u>Fund Type/Funds</u>	Year Ended December 31, 2000		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Governmental Fund Type</u>			
General	\$ 1,331,137	\$ 1,324,482	\$ (6,655)
Special Revenue	405,556	410,328	4,772
Capital Projects	-	-	-
Debt Service	15,291	86,503	71,212
 <u>Fiduciary Fund Type</u>			
Trust Fund	8,267	7,346	(921)
Totals (Memorandum Only)	\$ 1,760,251	\$ 1,828,659	\$ 68,408

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY**

<u>Fund Type/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2001 Appropriations</u>	<u>Total</u>	<u>Actual 2001 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Governmental Fund Type</u>							
General	\$ 73,548	\$ 1,502,599	\$ 1,576,147	\$ 1,422,676	\$ 50,937	\$ 1,473,613	\$ 102,534
Special Revenue	29,595	1,213,452	1,243,047	554,492	73,402	627,894	615,153
Capital Projects	-	60,000	60,000	13,161	140,511	153,672	(93,672)
Debt Service	19,838	14,300	34,138	109,270	19,838	129,108	(94,970)
<u>Fiduciary Fund Type</u>							
Trust Fund	7,086	13,440	20,526	3,561	-	3,561	16,965
December 31, 2001 (Memorandum Only)	<u>\$ 130,067</u>	<u>\$ 2,803,791</u>	<u>\$ 2,933,858</u>	<u>\$ 2,103,160</u>	<u>\$ 284,688</u>	<u>\$ 2,387,848</u>	<u>\$ 546,010</u>

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY**

<u>Fund Type/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2000 Appropriations</u>	<u>Total</u>	<u>Actual 2000 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Governmental Fund Type</u>							
General	\$ 45,641	\$ 1,530,644	\$ 1,576,285	\$ 1,431,960	\$ 73,548	\$ 1,505,508	\$ 70,777
Special Revenue	22,003	976,218	998,221	549,858	29,595	579,453	418,768
Capital Projects	-	-	-	-	-	-	-
Debt Service	-	15,291	15,291	85,842	19,838	105,680	(90,389)
<u>Fiduciary Fund Type</u>							
Trust Fund	-	17,593	17,593	8,290	7,086	15,376	2,217
December 31, 2000 (Memorandum Only)	<u>\$ 67,644</u>	<u>\$ 2,539,746</u>	<u>\$ 2,607,390</u>	<u>\$ 2,075,950</u>	<u>\$ 130,067</u>	<u>\$ 2,206,017</u>	<u>\$ 401,373</u>

See accompanying notes.

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - ACCOUNTING POLICIES

The Village of Lincoln Heights, Hamilton County, Ohio (the "Village") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the state of Ohio. The Village operates under a council-manager form of government and provides security of persons and property, public health and welfare and community development. Educational services are provided by the Princeton Local School District. The District is a separate governmental entity and its financial statements are not included in those presented in this report.

The Village's management believes these financial statements present all activities for which the Village of Lincoln Heights, Hamilton County, Ohio is financially accountable.

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Village classifies its funds into the following types:

General Fund

The general fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

NOTE 1 - ACCOUNTING POLICIES (Continued)Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

These funds include the following:

- *Community Development Fund* - This fund receives grants and donations to be used for any community development activity. Investments are also made from this fund.
- *DARE* - This fund receives grant monies that are used in connection with the education of drug awareness in schools.
- *Drug Fund* - This fund receives monies from drug-related County cases that are used to reduce drug use and trafficking.
- *FBI Drug Fund* - This fund receives monies from drug-related Federal cases that are used for the reduction of drug trafficking.
- *Fire Fund* - This fund receives monies from a tax levy that are used for fire and rescue equipment and supplies.
- *Jobs Training Partnership Act* - This fund receives monies from Hamilton County Human Services that are used for summer youth job training.
- *Police Computer Fund* - This fund was established for the purpose of purchasing and maintaining a computer for the courts.
- *Police Fund* - This fund receives monies from a tax levy that are used for police equipment and supplies.
- *Smith-Flowers Civic Center Fund* - This fund receives income from rent and occasional grant monies. The fund is used for general recreation maintenance, utilities and maintenance of the building and grounds.
- *Street Construction Maintenance and Repair* - This fund is used to pay for street construction maintenance and repairs, personnel employed in the maintenance area, street lights and gutter cleaning.

Capital Projects Fund

The capital projects fund is utilized to account for resources used in the acquisition and construction of certain capital facilities.

Debt Service Fund

The debt service fund is utilized to account for the payment of interest and principal on the Village's water and storm sewer systems' long-term debt.

NOTE 1 - ACCOUNTING POLICIES (Continued)

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds.

The trust and agency funds are as follows:

Trust

Police Pension Trust Fund

Agency

Mayor's Court

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

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.

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Estimated Resources

Estimated resources include estimates of cash to be received (budget periods) plus cash as of January 1. The County Budget Commission must also approve estimated resources. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

NOTE 1 - ACCOUNTING POLICIES (Continued)

Prior to December 31, the Village must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriation.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Cash and Investment

The Village's cash balances consisted of cash in checking accounts, certificates of deposit and investments in STAROhio (the State Treasurer's investment pool). STAROhio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2(a)(7) of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is equal to the price the investment could be sold for at December 31.

Anthem stock, which was received in 2001 as a result of a demutualization, is valued at market value at December 31, 2001.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

Interfund Transactions

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

NOTE 1 - ACCOUNTING POLICIES (Continued)

Intergovernmental Revenues

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis, are recorded when received in accordance with the Village’s cash basis method of accounting.

Total Columns on Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - EQUITY IN POOLED CASH

The Village of Lincoln Heights maintains a cash and investments pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash and Fund Cash Balances" as "Fund Cash Balances by Fund Type". The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2001 and 2000 was as follows:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Demand Deposits	\$369,853	\$483,302
Certificates of Deposit	121,142	207,951
STAROhio	<u>102,742</u>	<u>-</u>
Total Cash	593,737	691,253
Anthem Stock	<u>55,193</u>	<u>-</u>
Total Cash and Investment	<u>\$648,930</u>	<u>\$691,253</u>

Deposits are insured by the Federal Depository Insurance Corporation or are otherwise collateralized by the financial institution where the money is on deposit. At both December 31, 2001 and 2000, all deposits were insured or collateralized, in compliance with Chapter 135, Ohio Revised Code.

Anthem stock is not insured or collateralized.

NOTE 3 - COMPLIANCE

Budgetary Activity

For the year ended December 31, 2001, while the general fund, special revenue funds and trust fund had no disbursements in excess of appropriations, the capital projects fund and debt service fund did. For the year ended December 31, 2000, while the general fund, special revenue funds, capital projects fund and trust fund had no disbursements in excess of appropriations, the debt service fund did (see Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards).

Fund Balance

For the year ended December 31, 2001, the Smith-Flowers Civic Center fund had a negative fund balance (see Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards).

NOTE 4 - PROPERTY TAX

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by Hamilton County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, 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.

NOTE 5 - RISK MANAGEMENT

The Village of Lincoln Heights is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Village assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Village has obtained commercial insurance for the following risks:

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

NOTE 6 - LOCAL INCOME TAX

This locally levied tax of 2% is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) who worked in the Village. It also applies to net income of business organizations' earnings conducted within the Village. Income tax receipts credited to the general fund amounted to \$688,747 and \$623,183 in 2001 and 2000, respectively.

NOTE 7 - RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For both 2001 and 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages for both years. For both 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for both years. The Village has paid all contributions required through December 31, 2001.

NOTE 8 - LONG-TERM DEBT

Payments made on the long-term debt for the years ended December 31, 2001 and 2000 were as follows:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Water Revenue Bonds		
Principal	\$ 4,000	\$ 4,000
Interest	<u>1,080</u>	<u>1,320</u>
	<u>5,080</u>	<u>5,320</u>
Storm Sewer Revenue Bond		
Principal	7,000	7,000
Interest	<u>1,890</u>	<u>2,310</u>
	<u>8,890</u>	<u>9,310</u>
Various Capital Leases		
Principal	79,600	54,046
Interest	<u>15,700</u>	<u>17,166</u>
	<u>95,300</u>	<u>71,212</u>
	<u>\$109,270</u>	<u>\$85,842</u>

NOTE 8 - LONG-TERM DEBT (Continued)

The revenue bonds are designated as "first mortgage revenue bonds". The bonds were issued by General Electric Capital as fully registered bonds of various denominations. The bonds are dated September 15, 1973 and bear interest as stated below. Principal due on bonds and capital leases is as follows:

Due March 15,	Bonds		Storm Sewer	Capital Leases	Total
	Interest Rate Per Annum	Water			
2002	6%	\$ 4,000	\$ 7,000	\$ 78,652	\$ 89,652
2003	6%	4,000	7,000	46,795	57,795
2004	6%	4,000	7,000	47,715	58,715
2005	6%	4,000	7,000	40,754	51,754
2006	6%	-	-	30,032	30,032
Thereafter	6%	-	-	65,157	65,157
		<u>\$16,000</u>	<u>\$28,000</u>	<u>\$309,105</u>	<u>\$353,105</u>

The revenue bonds are payable semi-annually on March 1 and September 1. The bonds are callable at par plus accrued interest on any interest payment date on or after March 15, 1988, at the option of the Village, upon sixty (60) days' prior written notice to the registered holders thereof.

Interest rates on capital leases range from 5.5% to 7.75% and expire at various times through September, 2008.

Amortization of debt, including interest, is included as follows:

Year Ending December 31,	Water	Storm Sewer	Capital Leases	Total
2002	\$ 4,840	\$ 8,470	\$ 95,837	\$109,147
2003	4,600	8,050	60,066	72,716
2004	4,360	7,630	58,151	70,141
2005	4,120	7,210	48,571	59,901
2006	-	-	35,316	35,316
Thereafter	-	-	70,633	70,633
	<u>\$17,920</u>	<u>\$31,360</u>	<u>\$368,574</u>	<u>\$417,854</u>



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of Council
Village of Lincoln Heights
Lincoln Heights, Ohio

We have audited the financial statements of the Village of Lincoln Heights as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 17, 2002. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Lincoln Heights' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards as follows:

1. *Update Appropriations as Needed* - The Village overspent its appropriations on the debt service fund in 2001 and 2000 (due only to audit reclassification of debt service) and the capital projects fund in 2001. The capital projects fund over-expenditure is a violation of Ohio State Code 5705.39. If the Village finds or anticipates spending more than it had previously appropriated for the year, it should pass an updated appropriation resolution.
2. *Negative Fund Balance* - The Smith-Flowers Civic Center fund had a negative (cash) fund balance of \$13,378 as of December 31, 2000. This deficit balance indicates that cash from other funds has been used to pay obligations of this fund. This is a violation of Ohio Revised Code, Section 5705.10, which requires that money paid into any fund shall be used only for the purpose for which such fund is established. The Village should adopt procedures to properly monitor fund balances so that they never become negative.

Honorable Mayor and Members of Council
Village of Lincoln Heights

3. *Retain Mayor's Court Records* - Village employees could not locate certain Mayor's Court bank statements and cancelled checks we requested during the audit. This violates Ohio Revised Code, Section 149.351, which establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the Records Commission provided for under Ohio Revised Code, Sections 149.38 to 149.42.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village of Lincoln Heights' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Lincoln Heights' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Material Weaknesses

Segregate Cash Receipts and Record Keeping Function - The Village has one employee who receives cash receipts and posts the cash receipts in the system. This could cause a misappropriation of assets to go undetected. The Village should have an employee independent of the cash receipts function open the mail and make a listing of all checks received and compare it to the deposit made and the posting to the system.

Other Matters

1. *Pay Principal and Interest Payments from Debt Service Funds* - Principal and interest payments are being made from the general; fire; police and street, construction, maintenance and repairs funds. The Village should consider transferring the money from the above funds to the debt service fund and pay each from that fund to better track debt service expenditures.

Honorable Mayor and Members of Council
Village of Lincoln Heights

2. *Code Property and Real Estate Taxes Properly* - During our audit of real estate and property taxes, we discovered that the Village had miscoded some of these receipts. The clerk should monitor her procedures for accuracy during the year, and double check her figures at year end with the Hamilton County Auditors' office.
3. *Correctly Reconcile Cash Balance on Submitted Annual Financial Report* - On its 2001 (as well as 1999, 1998, 1997 and 1996) Annual Financial Report submitted to the Auditor of State, the Village showed its reconciled cash balance being reduced a second time by checks outstanding at year end. The outstanding checks should be shown as a deduction from the balance per the bank, not the reconciled bank balance.
4. *Review Unopened Bank Statements and Cancelled Checks Monthly* - The Village Council should consider having someone familiar with the Village's finances, but without check signing authority, open the monthly bank statements and review the cancelled checks and statements for propriety.
5. *Adjust Records According to Monthly Bank Reconciliation* - The Village performs a monthly bank reconciliation but does not adjust its records accordingly. As a result, cash was overstated by approximately \$19,700.
6. *Mayor's Court* - The Village does not perform a monthly bank reconciliation for the Mayor's Court account. The Village should prepare a monthly bank reconciliation along with a report showing the detail of activity for the Mayor's Court for the month.

This report is intended solely for the information and use of the management and Council of the Village of Lincoln Heights and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Cincinnati, Ohio
June 17, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
AUGUST 8, 2002**