



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, 2011	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance - Fiduciary Fund Type - For the Year Ended December 31, 2011	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Fiduciary Fund Type - For the Year Ended December 31, 2010	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>	19
Schedule of Prior Audit Findings	21

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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

May 30, 2013

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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, 2011 and 2010. 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 Governments 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Lincoln Heights, Hamilton County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013, 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 "D" and "Y".

Dave Yost
Auditor of State

May 30, 2013

**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, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$471,272	\$561,493	\$0	\$0	\$1,032,765
Municipal Income Tax	522,760				522,760
Intergovernmental	191,875	228,343		111,741	531,959
Charges for Services	211,081	10,124			221,205
Fines, Licenses and Permits	216,907	14,405			231,312
Earnings on Investments	49				49
Miscellaneous	42,285	2,875			45,160
<i>Total Cash Receipts</i>	<u>1,656,229</u>	<u>817,240</u>	<u>0</u>	<u>111,741</u>	<u>2,585,210</u>
Cash Disbursements					
Current:					
Security of Persons and Property	679,039	519,077			1,198,116
Public Health Services	1,579				1,579
Leisure Time Activities		12,188			12,188
Community Environment	24,180	21,069			45,249
Basic Utility Services		148,790			148,790
Transportation		186,465			186,465
General Government	818,870				818,870
Capital Outlay				144,495	144,495
Debt Service:					
Principal Retirement	4,800	2,576			7,376
<i>Total Cash Disbursements</i>	<u>1,528,468</u>	<u>890,165</u>	<u>0</u>	<u>144,495</u>	<u>2,563,128</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>127,761</u>	<u>(72,925)</u>	<u>0</u>	<u>(32,754)</u>	<u>22,082</u>
Other Financing Receipts (Disbursements)					
Transfers In		54,000		39,652	93,652
Transfers Out	(93,652)				(93,652)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(93,652)</u>	<u>54,000</u>	<u>0</u>	<u>39,652</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	34,109	(18,925)	0	6,898	22,082
<i>Fund Cash Balances, January 1</i>	<u>768,464</u>	<u>262,983</u>	<u>61</u>	<u>25,625</u>	<u>1,057,133</u>
Fund Cash Balances, December 31					
Restricted	0	244,058	61	32,523	276,642
Assigned	118,099	0	0	0	118,099
Unassigned (Deficit)	684,474	0	0	0	684,474
<i>Fund Cash Balances, December 31</i>	<u>\$802,573</u>	<u>\$244,058</u>	<u>\$61</u>	<u>\$32,523</u>	<u>\$1,079,215</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 BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	\$240,679
Total Non-Operating Cash Receipts	240,679
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	239,238
Total Non-Operating Cash Disbursements	239,238
Net Receipts Over/(Under) Disbursements	1,441
Fund Cash Balance, January 1	17,825
Fund Cash Balance, December 31	\$19,266

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, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$346,387	\$564,780	\$0	\$0	\$911,167
Municipal Income Tax	549,920				549,920
Intergovernmental	252,993	388,412			641,405
Charges for Services	239,774	11,156			250,930
Fines, Licenses and Permits	222,888				222,888
Earnings on Investments	340				340
Miscellaneous	5,399	13,582			18,981
Total Cash Receipts	1,617,701	977,930	0	0	2,595,631
Cash Disbursements:					
Current:					
Security of Persons and Property	567,443	520,994			1,088,437
Public Health Services	1,681				1,681
Leisure Time Activities		13,009			13,009
Community Environment	41,592	17,964			59,556
Basic Utility Service		144,500			144,500
Transportation		356,259			356,259
General Government	781,552				781,552
Debt Service:					
Redemption of Principal	4,800	2,576			7,376
Capital Outlay				21,842	21,842
Total Cash Disbursements	1,397,068	1,055,302	0	21,842	2,474,212
Total Receipts Over/(Under) Disbursements	220,633	(77,372)	0	(21,842)	121,419
Other Financing Receipts / (Disbursements):					
Transfers-In		65,000		12,630	77,630
Transfers-Out	(77,630)				(77,630)
Total Other Financing Receipts / (Disbursements)	(77,630)	65,000	0	12,630	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	143,003	(12,372)	0	(9,212)	121,419
Fund Cash Balances, January 1 (Restated)	625,461	275,355	61	34,837	935,714
Fund Cash Balances, December 31	\$768,464	\$262,983	\$61	\$25,625	\$1,057,133
Reserve for Encumbrances, December 31	\$173,379	\$17,737	\$0	\$7,899	\$199,015

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 BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	\$154,031
Total Non-Operating Cash Receipts	154,031
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	185,797
Total Non-Operating Cash Disbursements	185,797
Net Receipts Over/(Under) Disbursements	(31,766)
Fund Cash Balance, January 1	49,591
Fund Cash Balance, December 31	\$17,825

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, 2011 AND 2010**

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. Note 9 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

The Village's funds are deposited in checking accounts and certificates of deposits. The Village values certificates of deposits 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, 2011 AND 2010
(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 medical services to the Village and its residents.

Waste Fund – This fund receives property tax money for providing waste removal services for the Village and its residents.

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bond and note debt.

4. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund:

Capital Improvement Fund – This fund receives transfers from the General Fund and monies from OPWC and is used to account for various capital projects.

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. The Village does not have any private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court operations.

VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

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

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on the fund balances previously reported.

3. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2011	2010
Demand deposits	\$854,615	\$831,141
Certificates of deposit	243,866	243,817
Total deposits	\$1,098,481	\$1,074,958

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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,506,500	\$1,656,229	\$149,729
Special Revenue	848,800	871,240	22,440
Capital Projects	157,652	151,393	(6,259)
Total	\$2,512,952	\$2,678,862	\$165,910

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,856,901	\$1,740,219	\$116,682
Special Revenue	962,707	916,110	46,597
Capital Projects	180,551	145,782	34,769
Total	\$3,000,159	\$2,802,111	\$198,048

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,459,200	\$1,617,701	\$158,501
Special Revenue	1,033,070	1,042,930	9,860
Capital Projects	131,000	12,630	(118,370)
Total	\$2,623,270	\$2,673,261	\$49,991

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,851,415	\$1,648,077	\$203,338
Special Revenue	1,141,571	1,073,039	68,532
Capital Projects	163,268	29,741	133,527
Total	\$3,156,254	\$2,750,857	\$405,397

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.

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.

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Debt

	Principal	Interest Rate
OPWC Street Program Loan	\$28,338	0%
State Fire Marshal Loan	\$52,735	0%
Total	\$81,073	

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 Debt
Year ending December 31:			
2012	\$2,576	\$4,800	\$7,376
2013	2,576	4,800	7,376
2014	2,576	4,800	7,376
2015	2,576	4,800	7,376
2016	2,576	4,800	7,376
2017-2021	12,880	24,000	36,880
2022-2023	2,578	4,735	7,313
Total	\$28,338	\$52,735	\$81,073

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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, 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 2011 and 2010, 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, 2011.

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, 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.

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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$42,000.

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Risk Management (Continued)

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

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$45,820	\$48,204

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.

11. Restatement of Fund Balance

The Village posted an adjustment to the cash reconciliations and financial statements to make corrections for posting errors prior to December 31, 2009:

	<u>General Fund</u>
Fund Cash Balance, December 31, 2009:	\$629,349
Restatement – Corrections:	(3,888)
Fund Cash Balance, January 1, 2010 Restated:	<u>\$625,461</u>

12. Subsequent Events

The Ohio Department of Taxation authorized the classification of certain property owned by Princeton City School District, Hamilton County as exempt in 2012. As a result of this determination, Princeton City School District was due a refund of property taxes paid in the amount of \$1,243,000. Of this amount, approximately \$500,000 was allocated to the Village and was netted against current taxes remitted to the Village in August, 2012. The refund dates back six years, since Princeton City School District had been paying the taxes due on the property since tax year 2006. Hamilton County also indicated that there is also a charge for the land reutilization program in the amount of \$21,680. This is the first time these charges have been processed and further added to the amount owed.

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

12. Subsequent Events (Continued)

In September, 2012, the Hamilton County Budget Commission authorized the transfer to Lincoln Heights in the amount of \$100,000 from the emergency reserve of the local government funds. This payment was authorized in the form of a grant to offset the immediate impact of the deficit. It is not subject to repayment.

As of the date of this report, the Village's outstanding obligation related to this matter is approximately \$158,240.



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, 2011 and 2010 and have issued our report thereon dated May 30, 2013, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. Also, we noted that the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 30, 2013.

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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 30, 2013

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	<p>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 and regarding collection and remittance of fines, forfeitures and costs of the Mayor's Court to the appropriate agencies.</p> <p>Undistributed monies related to certain deposits, received prior to January 1, 2008, still held by the Mayor's Court.</p>	No	Partially Corrected – Reissued in the Management Letter for 2011/2010.
2009-02	Ohio Rev. Code Section 5705.41(B) regarding expenditures in excess of appropriations.	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
JUNE 27, 2013**