

VILLAGE OF LINCOLN HEIGHTS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 1999 and 1998



VONLEHMAN & COMPANY INC.

Certified Public Accountants and Business Advisors



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Village of Lincoln Heights, Hamilton County, prepared by VonLehman & Company Inc., for the audit period January 1, 1998 through December 31, 1999. 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", written over a large, stylized flourish.

JIM PETRO
Auditor of State

July 31, 2000

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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

Guy T. Westmoreland

Margaret Thompson

Jeanette Shamel

Mayme L. Mitchell

Wanda Thomas

Ester Toran

DEPARTMENT HEADS

Village Manager

Village Finance Director

Village Police Chief

Herman Dantzler

Carnell Mathews

Ernie McCowen



VONLEHMAN & COMPANY INC.

Certified Public Accountants and Business Advisors

250 Grandview Drive Suite 300
Fort Mitchell, Kentucky 41017-5610

4221 Malsbary Road Suite 102
Cincinnati, Ohio 45242-5502

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, 1999 and 1998, 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 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 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, 1999 and 1998, 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 7, 2000 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 7, 2000

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

December 31, 1999

Cash \$ 929,898

FUND CASH BALANCES BY FUND TYPE

Governmental Funds

General Fund \$ 203,895

Special Revenue Funds 717,359

921,254

Fiduciary Funds

Trust and Agency Funds 8,644

\$ 929,898

See accompanying notes.

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

December 31, 1998

Cash \$ 1,031,710

FUND CASH BALANCES BY FUND TYPE

Governmental Funds

General Fund	\$ 442,963
Special Revenue Funds	582,816
Debt Service Fund	<u>330</u>
	1,026,109

Fiduciary Funds

Trust and Agency Funds	<u>5,601</u>
	\$ <u>1,031,710</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, 1999			
	Governmental Fund Types			
	General Fund	Special Revenue Funds	Capital Projects Fund	Debt Service Fund
Receipts				
Taxes	\$ 917,895	\$ 124,350	\$ -	\$ -
Intergovernmental Receipts	172,384	214,056	-	-
Charges for Services	45,382	-	-	-
Special Assessments	21,624	80,921	-	-
Fines, Licenses and Permits	25,585	14,234	-	-
Miscellaneous	22,027	47,306	-	-
Total Receipts	1,204,897	480,867	-	-
Disbursements				
Security of Persons and Property	559,962	170,596	-	-
Public Health Services	1,431	-	-	-
Leisure Time Activities	734	192,098	-	-
Community Environment	40,691	-	-	-
Basic Utilities Services	162,730	-	-	-
Transportation	56,728	116,164	-	-
General Government	537,977	31,968	-	-
Debt Service	-	-	-	15,290
Capital Outlay	11,199	71,161	-	-
Total Disbursements	1,371,452	581,987	-	15,290
Deficit of Receipts Over Disbursements	(166,555)	(101,120)	-	(15,290)
Other Financing Sources (Uses)				
Transfers - In	63,110	120,663	-	14,960
Transfers - Out	(135,623)	-	-	-
Other Services	-	115,000	-	-
Excess (Deficit) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(239,068)	134,543	-	(330)
Beginning Fund Cash Balance	442,963	582,816	-	330
Ending Fund Cash Balance	\$ 203,895	\$ 717,359	\$ -	\$ -

See accompanying notes.

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

	<u>Year Ended December 31, 1999</u>	
	<u>Expendable Trust Fund</u>	<u>Agency Fund</u>
Operating Receipts		
Local Taxes	\$ 5,787	\$ -
Intergovernmental Receipts	682	-
Miscellaneous	-	87,259
	<u>6,469</u>	<u>87,259</u>
Total Operating Receipts	<u>6,469</u>	<u>87,259</u>
Operating Disbursements		
Security of Persons and Property	3,426	-
General Government	-	24,149
	<u>3,426</u>	<u>24,149</u>
Total Operating Disbursements	<u>3,426</u>	<u>24,149</u>
Operating Income	3,043	63,110
Other Financing Uses		
Transfers - Out	-	(63,110)
	<u>3,043</u>	<u>-</u>
Net Income	<u>3,043</u>	<u>-</u>
Beginning Fund Cash Balance	<u>5,601</u>	<u>-</u>
Ending Fund Cash Balance	<u>\$ 8,644</u>	<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, 1998			
	Governmental Fund Types			
	General Fund	Special Revenue Funds	Capital Projects Fund	Debt Service Fund
Receipts				
Taxes	\$ 1,013,422	\$ 130,192	\$ -	\$ -
Intergovernmental Receipts	184,215	249,319	-	-
Charges for Services	55,739	-	-	-
Special Assessments	-	-	-	-
Fines, Licenses and Permits	24,011	4,630	-	-
Miscellaneous	23,610	158,700	-	-
Total Receipts	<u>1,300,997</u>	<u>542,841</u>	<u>-</u>	<u>-</u>
Disbursements				
Security of Persons and Property	494,423	287,024	-	-
Public Health Services	1,508	-	-	-
Leisure Time Activities	5,276	154,773	-	-
Community Environment	42,330	-	-	-
Basic Utilities Services	148,264	-	-	-
Transportation	58,916	261,876	-	-
General Government	426,112	55,616	-	-
Debt Service	-	-	-	15,950
Capital Outlay	29,338	-	100,000	-
Total Disbursements	<u>1,206,167</u>	<u>759,289</u>	<u>100,000</u>	<u>15,950</u>
Excess (Deficit) of Receipts Over Disbursements	94,830	(216,448)	(100,000)	(15,950)
Other Financing Sources (Uses)				
Transfers - In	46,062	372,476	-	15,180
Transfers - Out	(387,656)	-	-	-
Other Sources (Uses)	(19,023)	22,754	-	-
Sale of Fixed Assets	15,307	-	-	-
Excess (Deficit) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(250,480)	178,782	(100,000)	(770)
Beginning Fund Cash Balance	<u>693,443</u>	<u>404,034</u>	<u>100,000</u>	<u>1,100</u>
Ending Fund Cash Balance	<u>\$ 442,963</u>	<u>\$ 582,816</u>	<u>\$ -</u>	<u>\$ 330</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, 1998	
	Expendable Trust Fund	Agency Fund
Operating Receipts		
Local Taxes	\$ 6,111	\$ -
Intergovernmental Receipts	720	-
Miscellaneous	<u>-</u>	<u>60,353</u>
 Total Operating Receipts	 <u>6,831</u>	 <u>60,353</u>
 Operating Disbursements		
Security of Persons and Property	17,263	-
General Government	<u>-</u>	<u>14,291</u>
 Total Operating Disbursements	 <u>17,263</u>	 <u>14,291</u>
 Operating (Loss) Income	 (10,432)	 46,062
 Other Financing Uses		
Transfers - Out	<u>-</u>	<u>(46,062)</u>
 Net Loss	 (10,432)	 -
 Beginning Fund Cash Balance	 <u>16,033</u>	 <u>-</u>
 Ending Fund Cash Balance	 <u>\$ 5,601</u>	 <u>\$ -</u>

See accompanying notes.

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

	Year Ended December 31, 1999		
Fund Type/Funds	Budget	Actual	Variance Favorable (Unfavorable)
<u>Governmental Fund Type</u>			
General	\$ 1,721,491	\$ 1,268,007	\$ (453,484)
Special Revenue	1,366,274	716,530	(649,744)
Debt Service	15,290	14,960	(330)
<u>Fiduciary Fund Type</u>			
Trust Fund	12,321	6,469	(5,852)
Totals (Memorandum Only)	\$ 3,115,376	\$ 2,005,966	\$ (1,109,410)

See accompanying notes.

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

	Year Ended December 31, 1998		
Fund Type/Funds	Budget	Actual	Variance Favorable (Unfavorable)
<u>Governmental Fund Type</u>			
General	\$ 1,878,349	\$ 1,362,366	\$ (515,983)
Special Revenue	1,295,354	938,071	(357,283)
Debt Service	15,680	15,180	(500)
<u>Fiduciary Fund Type</u>			
Trust Fund	22,753	6,831	(15,922)
Totals (Memorandum Only)	\$ 3,212,136	\$ 2,322,448	\$ (889,688)

See accompanying notes.

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

Fund Type/Funds	Prior Year	1999		Actual 1999 Disbursements	Encumbrances Outstanding at 12/31/99	Total	Variance Favorable
	Appropriations	Appropriations	Appropriations				
<u>Governmental Fund Type</u>							
General	\$ 29,741	\$ 1,603,258	\$ 1,632,999	\$ 1,507,075	\$ 45,841	\$ 1,552,716	\$ 80,283
Special Revenue	7,536	1,000,070	1,007,606	581,987	22,003	603,990	403,616
Debt Service	-	15,290	15,290	15,290	-	15,290	-
<u>Fiduciary Fund Type</u>							
Trust Fund	-	16,086	16,086	3,426	-	3,426	12,660
December 31, 1999 (Memorandum Only)	\$ 37,277	\$ 2,634,704	\$ 2,671,981	\$ 2,107,778	\$ 67,844	\$ 2,175,422	\$ 496,559

See accompanying notes.

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

Fund Type/Funds	Prior Year	1998		Actual 1998 Disbursements	Encumbrances Outstanding at 12/31/98	Total	Variance Favorable (Unfavorable)
	Carryover Appropriations	Appropriations	Total				
<u>Governmental Fund Type</u>							
General	\$ 27,788	\$ 1,850,561	\$ 1,878,349	\$ 1,612,836	\$ 29,741	\$ 1,642,577	\$ 235,772
Special Revenue	11,306	1,199,264	1,210,570	759,289	7,538	786,825	443,745
Capital Projects	-	100,000	100,000	100,000	-	100,000	-
Debt Service	-	15,680	15,680	15,950	-	15,950	(270)
<u>Fiduciary Fund Type</u>							
Trust Fund	-	16,086	16,086	17,263	-	17,263	(1,177)
December 31, 1998 (Memorandum Only)	\$ 39,094	\$ 3,181,591	\$ 3,220,685	\$ 2,505,338	\$ 37,277	\$ 2,542,615	\$ 678,070

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 were prepared on the cash basis of accounting, which is the basis of accounting prescribed or permitted by the Auditor of State. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

Cash

The Village's cash balances consisted of cash in checking accounts and certificates of deposit.

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.

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.

NOTE 1 - ACCOUNTING POLICIES (Continued)

These funds include the following:

- Byrnes Memorial
- Community Development Fund
- COPSFAST
- DARE
- Drug Law Enforcement Fund
- FBI Drug
- Fire Fund
- Jobs Training Partnership Act
- Police Computer Fund
- Police Fund
- Smith-Flowers Civic Center
- Street Construction Maintenance and Repair

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.

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

NOTE 1 - ACCOUNTING POLICIES (Continued)

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.

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, 1998 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.

NOTE 1 - ACCOUNTING POLICIES (Continued)

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.

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.

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, 1999 and 1998 was as follows:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Demand Deposits	\$ 731,453	\$ 842,859
Certificates of Deposit	<u>198,445</u>	<u>188,851</u>
Total Cash	<u>\$ 929,898</u>	<u>\$1,031,710</u>

Deposits

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, 1999 and 1998, all deposits were insured or collateralized, in compliance with Chapter 135, Ohio Revised Code.

NOTE 3 - BUDGETARY ACTIVITY

For the year ended December 31, 1999, the general fund, special revenue funds, capital fund, debt service fund and trust fund had no disbursements in excess of appropriations. However, for the year ended December 31, 1998, while the general fund, special revenue funds and capital fund had no disbursements in excess of appropriations, the debt service fund and trust 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).

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 \$618,763 and \$707,411 in 1999 and 1998, 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 1999 and 1998, members of PFDPF contributed 9.0% of their wages to the PFDPF. The Village contributed an amount equal to 19.05% of their wages for both years, or \$63,472 and \$65,752, respectively. For both 1999 and 1998, 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, or \$49,717 and \$42,807, respectively. The Village has paid all contributions required through December 31, 1999.

NOTE 8 - LONG-TERM DEBT

Payments made on the long-term debt for the years ended December 31, 1999 and 1998 were as follows:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Water Revenue Bonds		
Principal	\$ 4,000	\$ 4,000
Interest	1,560	1,800
	<u>5,560</u>	<u>5,800</u>
Storm Sewer Revenue Bond		
Principal	7,000	7,000
Interest	2,730	3,150
	<u>9,730</u>	<u>10,150</u>
	<u>\$15,290</u>	<u>\$15,950</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:

<u>Due March 15,</u>	<u>Water</u>	<u>Storm Sewer</u>	<u>Interest Rate per Annum</u>
2000	\$ 4,000	\$ 7,000	6%
2001	4,000	7,000	6%
2002	4,000	7,000	6%
2003	4,000	7,000	6%
2004	4,000	7,000	6%
2005	4,000	7,000	6%
	<u>\$24,000</u>	<u>\$42,000</u>	

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

<u>Year Ending December 31,</u>	<u>Water</u>	<u>Storm Sewer</u>	<u>Total</u>
2000	\$ 5,320	\$ 9,310	\$14,630
2001	5,080	8,890	13,970
2002	4,840	8,470	13,310
2003	4,600	8,050	12,650
2004	4,360	7,630	11,990
2005	4,120	7,210	11,330
	<u>\$28,320</u>	<u>\$49,560</u>	<u>\$77,880</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.

OTHER INFORMATION

**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 Village of Lincoln Heights as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 7, 2000. We conducted our audits in accordance with 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 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered 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 Village of Lincoln Heights' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows in Items 1 and 2.

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. However, we believe none of the reportable conditions described below is a material weakness.

1. The Village records cash receipts and disbursements per its bank statements with its general ledger, but it does not perform a monthly bank reconciliation. As a result, the Village had overstated its cash as of December 31, 1999 by approximately \$43,000.

The Village should perform a bank reconciliation monthly and adjust its records accordingly.

2. The Village appropriated less than it spent in its debt service fund and trust fund for the year ended December 31, 1998. Since appropriations must exceed expenditures by Ohio State law, the Village should always appropriate adequately for expenditures.

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 7, 2000



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OFFICE OF THE AUDITOR

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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
OCTOBER 10, 2000