



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY  
DECEMBER 31, 2019 AND 2018

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Lincoln Heights, Hamilton County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and related notes of the Village, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 12 to the financial statements for fiscal year ended December 31, 2019, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2022, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
September 1, 2022

<b>Village of Lincoln Heights, Ohio</b>					
<i>Hamilton County</i>					
<i>Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)</i>					
<i>All Governmental Fund Types</i>					
<i>For the Year Ended December 31, 2019</i>					
	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$340,197	\$756,981			\$1,097,178
Municipal Income Tax	618,108				618,108
Intergovernmental	172,818	192,942		48,405	414,165
Charges for Services	195,005	0			195,005
Fines, Licenses and Permits	178,527	2,714			181,241
Earnings on Investments	7,339				7,339
Miscellaneous	8,375				8,375
<b>Total Cash Receipts</b>	<b>1,520,369</b>	<b>952,637</b>	<b>0</b>	<b>48,405</b>	<b>2,521,411</b>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	538,734	635,041			1,173,775
Community Environment	16,744	6,106			22,850
Transportation	169,777	153,270			323,047
General Government	898,032				898,032
Capital Outlay	67,835	73,960		48,405	190,200
Debt Service:					
Principal Retirement	0	43,089			43,089
Interest and Fiscal Charges		1,421			1,421
<b>Total Cash Disbursements</b>	<b>1,691,122</b>	<b>912,887</b>	<b>0</b>	<b>48,405</b>	<b>2,652,414</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(170,753)</b>	<b>39,750</b>	<b>0</b>	<b>0</b>	<b>(131,003)</b>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	11,877				11,877
Transfers Out		(11,816)	(61)		(11,877)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>11,877</b>	<b>(11,816)</b>	<b>(61)</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Cash Balances</b>	<b>(158,876)</b>	<b>27,934</b>	<b>(61)</b>	<b>0</b>	<b>(131,003)</b>
<b>Fund Cash Balances, January 1</b>	<b>475,625</b>	<b>401,210</b>	<b>61</b>	<b>2,240</b>	<b>879,136</b>
<b>Fund Cash Balances, December 31</b>					
Restricted		421,471		2,240	423,711
Unassigned (Deficit)	316,749		0		316,749
<b>Fund Cash Balances, December 31</b>	<b>\$316,749</b>	<b>\$429,144</b>	<b>\$0</b>	<b>\$2,240</b>	<b>\$748,133</b>
<i>See accompanying notes to the basic financial statements</i>					

<b>Village of Lincoln Heights, Ohio</b>		
<i>Hamilton County</i>		
<i>Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)</i>		
<i>All Proprietary and Fiduciary Fund Types</i>		
<i>For the Year Ended December 31, 2019</i>		
	<b>Fiduciary Fund Types</b>	<b>Totals</b>
	<b>Agency</b>	<b>(Memorandum Only)</b>
<b>Non-Operating Receipts (Disbursements)</b>		
Other Financing Sources	47,676	47,676
Other Financing Uses	(47,676)	(47,676)
<i>Total Non-Operating Receipts (Disbursements)</i>	0	0
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	0	0
<i>Net Change in Fund Cash Balances</i>	0	0
<i>Fund Cash Balances, January 1</i>	4,019	4,019
<i>Fund Cash Balances, December 31</i>	\$4,019	\$4,019
<i>See accompanying notes to the basic financial statements</i>		



**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 - Reporting Entity**

The Village of Lincoln Heights (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 Hamilton County Sheriff's department to provide security of persons and property. The Village contracts with the Village of Woodlawn to provide advanced life support services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in the Public Entities Pool of Ohio. Note 6 to the financial statements provides additional information for this entity. The Village also participates in the Ohio Municipal League Group Rating Plan. Note 11 to the financial statements provides additional information for this Village. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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within the Village.

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

**Debt Service** These accounts, account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following item listed in debt service accounts

**Bond Debt Fund** - This fund accounts for resources the Village accumulates to pay bond and note debt.

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund.

**Cap 817 Capital Improvement Fund** - This fund receives transfers from the General Fund and monies from Ohio Public Works Commission (OPWC) and is used to account for various capital projects.

**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 the Mayor's Court operations.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***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. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***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 re-appropriated.

A summary of 2019 budgetary activity appears in Note 3.

***Deposits***

The Villages funds are pooled in a checking account with a commercial bank.

***Capital Assets***

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

***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.

***Fund Balance***

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:

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

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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.

**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.

**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.

**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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,549,117	\$1,532,246	(\$16,871)
Special Revenue	952,737	952,637	(100)
Debt Service	0	0	0
Capital Projects	48,405	48,405	0
Fiduciary	0	47,676	47,676
Total	\$2,550,259	\$2,580,964	\$30,705

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,875,660	\$1,691,122	\$184,538
Special Revenue	991,780	932,376	59,404
Debt Service	0	61	(61)
Capital Projects	48,406	48,405	1
Fiduciary	0	47,676	(47,676)
Total	\$2,915,846	\$2,719,640	\$196,206

**Note 4– Deposits**

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

	2019
Demand deposits	\$752,152
Total deposits	\$752,152

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

***Property Taxes***

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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***Income Taxes***

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.

**Note 6 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

**Risk Pool Membership**

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2019
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System*** Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

**Note 8 - Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member directed Plan was 2.0 percent during calendar year 2019.

**Note 9 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
OPWC CB12S Dixie Court	\$60,063	0%
John Deere Backhoe	\$74,855	3.750%
International Hotbox	\$17,038	3.715%
Total	\$151,956	

The Ohio Public Works Commission (OPWC) loan relates to project CB12S a street improvement project for Dixie Court. The loan was approved in 2017 for \$68,644 to be paid off over 20 years with a final maturity in January 2037.

In March 2018 the Village entered into a purchase agreement with John Deere to purchase a backhoe over 10 semi-annual payments at an interest rate of 3.75%. With the final payment due in 2023.

In July 2019 the Village entered into a purchase contract with Kansas State Bank to purchase a 2019 KM International Hot Box reclaimer with three annual payments at an interest rate of 3.715%. With the final payment due in 2021.

***Amortization***

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

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

Year Ending December 31:	OPWC Street Program Loan #1	John Deere Credit	Kansas State Bank
2020	3,432	20,428	9,004
2021	3,432	20,428	9,004
2022	3,432	20,428	0
2023	3,432	20,429	
2024-2037	46,334	0	
Total	<u>\$60,063</u>	<u>\$81,713</u>	<u>\$18,008</u>

**Note 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.

**Note 11– Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six-member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 12 – COVID 19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



<b>Village of Lincoln Heights , Ohio</b>					
<i>Hamilton County</i>					
<i>Combined Statement of Receipts, Disbursements</i>					
<i>and Changes in Fund Balances (Regulatory Cash Basis)</i>					
<i>All Governmental Fund Types</i>					
<i>For the Year Ended December 31, 2018</i>					
	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$340,284	\$723,118			\$1,063,402
Municipal Income Tax	601,394				601,394
Inter-governmental	161,885	188,788		6,958	357,631
Charges for Services	226,186				226,186
Fines, Licenses and Permits	157,069	2,104			159,173
Earnings on Investments	50				50
Miscellaneous	43,424	1,034			44,458
<i>Total Cash Receipts</i>	<i>1,530,292</i>	<i>915,044</i>	<i>0</i>	<i>6,958</i>	<i>2,452,294</i>
<b>Cash Disbursements</b>					
<b>Current:</b>					
Security of Persons and Property	149,510	583,673			733,183
Leisure Time Activities	0	500			500
Community Environment	17,597				17,597
Basic Utility Services	0	17,000			17,000
Transportation	113,897	99,230			213,126
General Government	1,027,331				1,027,331
Capital Outlay	41,459	54,251		29,683	125,393
<b>Debt Service:</b>					
Principal Retirement	22,566	8,896			31,462
<i>Total Cash Disbursements</i>	<i>1,372,360</i>	<i>763,550</i>	<i>0</i>	<i>29,683</i>	<i>2,165,593</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>157,932</i>	<i>151,494</i>	<i>0</i>	<i>(22,725)</i>	<i>286,701</i>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		10,000			10,000
Transfers Out	(10,000)				(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<i>(10,000)</i>	<i>10,000</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Net Change in Fund Cash Balances</i>	<i>147,932</i>	<i>161,494</i>	<i>0</i>	<i>(22,725)</i>	<i>286,701</i>
<i>Fund Cash Balances, January 1</i>	<i>327,693</i>	<i>239,716</i>	<i>61</i>	<i>24,965</i>	<i>592,435</i>
<b>Fund Cash Balances, December 31</b>					
Restricted		401,210	61	2,240	403,511
Assigned	197				197
Unassigned (Deficit)	475,428				475,428
<i>Fund Cash Balances, December 31</i>	<i>\$475,625</i>	<i>\$401,210</i>	<i>\$61</i>	<i>\$2,240</i>	<i>\$879,136</i>
<i>See accompanying notes to the basic financial statements</i>					

<b>Village of Lincoln Heights , Ohio</b>		
<i>Hamilton County</i>		
<i>Combined Statement of Receipts, Disbursements</i>		
<i>and Changes in Fund Balances (Regulatory Cash Basis)</i>		
<i>All Fiduciary Fund Types</i>		
<i>For the Year Ended December 31, 2018</i>		
	Fiduciary Fund Types	Totals
	Agency	(Memorandum Only)
<b>Non-Operating Receipts (Disbursements)</b>		
Other Financing Sources	37,609	37,609
Other Financing Uses	(37,684)	(37,684)
<i>Total Non-Operating Receipts (Disbursements)</i>	(75)	(75)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(75)	(75)
<i>Net Change in Fund Cash Balances</i>	(75)	(75)
<i>Fund Cash Balances, January 1</i>	4,094	4,094
<i>Fund Cash Balances, December 31</i>	\$4,019	\$4,019
<i>See accompanying notes to the basic financial statements</i>		

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The Village of Lincoln Heights (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 Hamilton County Sheriff's department to provide security of persons and property. The Village contracts with the Village of Woodlawn to provide advanced life support services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in the Public Entities Pool of Ohio. Note 6 to the financial statements provides additional information for this entity. The Village also participates in the Ohio Municipal League Group Rating Plan. Note 11 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.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle

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license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

***Debt Service Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds

***BOND DEBT FUND*** This fund accounts for resources the Village accumulates to pay bond and note debt.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

***CAP 817 CAPITAL IMPROVEMENT FUND*** This fund receives transfers from the General Fund and monies from Ohio Public Works Commission (OPWC) and is used to account for various capital projects.

***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 the Mayor's Court operations.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Village of Lincoln Heights, Ohio**  
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***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***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. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

***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 re-appropriated.

A summary of 2018 budgetary activity appears in Note 3.

***Deposits***

The Village funds are pooled in a checking account with a commercial bank.

***Capital Assets***

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

***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.

***Fund Balance***

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:

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

**Village of Lincoln Heights, Ohio**  
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**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.

**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.

**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.

**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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,520,891	\$1,530,292	\$9,401
Special Revenue	786,179	925,044	138,865
Capital Projects	0	6,958	6,958
Fiduciary	0	37,609	37,609
Total	\$2,307,070	\$2,499,903	\$192,833

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2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,867,760	\$1,382,360	\$485,400
Special Revenue	911,284	763,550	147,734
Capital Projects	22,725	29,683	(6,958)
Fiduciary	0	37,684	(37,684)
Total	<u>\$2,801,769</u>	<u>\$2,213,277</u>	<u>\$588,492</u>

**Note 4– Deposits**

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

Demand deposits	<u>2018</u> <u>\$883,155</u>
Total deposits	<u>883,155</u>

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

***Property Taxes***

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.

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The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

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.

**Note 6- Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated bases on accident history and administrative costs (if material).

**Risk Pool Membership**

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	2018
Cash and investments	\$35,281,789
Actuarial liabilities	\$12,965,015

**Note 7- Defined Benefit Pension Plans**



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**Ohio Public Employees Retirement System** Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

**Note 8- Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member directed Plan was 2.0 percent during calendar year 2018.

**Note 9 – Debt**

The Ohio Public Works Commission (OPWC) loan #1 relates to a street improvement project for Medosch Street. The loan was approved in 2003 for \$51,522 to be paid off over 20 years with a final maturity in January 2023.

The Ohio Public Works Commission (OPWC) loan relates to project CB12S a street improvement project for Dixie Court. The loan was approved in 2017 for \$68,644 to be paid off over 20 years with a final maturity in January 2037.

In March 2018 the Village entered into a purchase agreement with John Deere to purchase a backhoe over 10 semi-annual payments at an interest rate of 3.75%. With the final payment due in 2023

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OPWC CT06E Medosch Street	\$11,593	0%
OPWC CB12S Dixie Court	\$63,495	0%
John Deere Backhoe	\$92,278	3.75%
Total	\$167,366	

**Amortization**

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

Year Ending December 31:	OPWC Street Program Loan #1	OPWC Street Program loan #2	John Deere Backhoe
2019	\$2,576	\$3,432	\$20,428
2020	2,576	3,432	\$20,428
2021	2,576	3,432	\$20,428
2022	2,576	3,432	\$20,428
2023	1,289	3,432	\$20,429
2024-2038		46,335	
Total	\$11,593	\$63,495	\$102,141

**Note 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.

**Note 11– Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Lincoln Heights, Hamilton County (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 1, 2022, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 through 2019-003 to be material weaknesses.

### ***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 financial statements. However, opining 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*.

**Village's Response to Findings**

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio  
September 1, 2022

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

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

**FINDING 2019-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Term of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to deficiencies in the Village's internal controls over financial reporting, the following conditions related to the Village's financial statements, footnotes, and accounting records were identified:

- The Village did not report the Mayor's Court cash fund balances, receipts and disbursements in the 2018 and 2019 financial statements. For 2018, the Mayor's Court Agency Fund had Beginning Fund Balance, Non-Operating cash receipts, Non-Operating cash disbursements, and Ending Fund Balance of \$4,094, \$37,609, \$37,684, and \$4,019, respectively. For 2019, the Mayor's Court Agency Fund had Beginning Fund Balance, Non-Operating cash receipts, Non-Operating cash disbursements, and Ending Fund Balance of \$4,019, \$47,676, \$47,676, and \$4,019, respectively.
- The Village incorrectly reported the Memorial Park Project Fund in the Special Revenue Funds in 2018 rather than in the Capital Projects Funds. For 2018, the Memorial Park Project Fund had Beginning Fund Balance and Ending Fund Balance of \$2,240 each.
- The Village incorrectly reported the Police Computer Fund in the Agency Fund in 2018 and 2019 rather than in the Special Revenue Funds. For 2018, the Police Computer Fund had Beginning Fund Balance, Fines, Licenses and Permits receipts, Security of Persons and Property disbursements, and Ending Fund Balance of \$33,413, \$2,104, \$3,109, and \$32,408, respectively. For 2019, the Police Computer Fund had Beginning Fund Balance, Fines, Licenses and Permits receipts, Security of Persons and Property disbursements, and Ending Fund Balance of \$32,408, \$2,714, \$7,673, and \$27,449, respectively.
- Principal Retirement and Interest and Fiscal Charges disbursements in the Special Revenue Funds totaling \$12,514 and \$1,421, respectively, were incorrectly posted to the General Fund in 2019.
- Principal Retirement disbursements in the General Fund totaling \$22,566 were incorrectly posted to the Special Revenue Funds in 2018.
- Intergovernmental receipts and Capital Outlay disbursements for the Ohio Public Works Commission totaling \$4,904 were not recorded in the Capital Projects Funds in 2018.
- Intergovernmental receipts and Capital Outlay disbursements in the Capital Projects Funds totaling \$2,054 for the Ohio Public Works Commission were incorrectly posted to the General Fund in 2018.
- Restricted Fund Balance in the Special Revenue Funds totaling \$420,040 in 2019 was incorrectly posted to Unassigned Fund Balance.
- Budgetary Receipts in the 2019 financial statement footnotes were overstated by \$48,405 in the Special Revenue Funds and understated by \$48,405 in the Capital Project Funds.

**FINDING 2019-001  
(Continued)**

- Budgetary Expenditures in the 2019 financial statement footnotes were overstated by \$48,466 in the Special Revenue Funds and understated by \$48,405 in the Capital Project Funds.
- Budgetary Expenditures in the 2018 financial statement footnotes were overstated by \$22,724 in the Special Revenue Funds and understated by \$22,725 in the Capital Project Funds.
- The John Deere Lease outstanding balance was overstated by \$17,423 in the 2019 financial statement footnotes. The John Deere Lease with an outstanding balance of \$102,139 was not included in the 2018 financial statement footnotes.
- Descriptions of each outstanding debt were not included in the 2018 and 2019 financial statement footnotes.
- The Amortization Schedule in the 2018 and 2019 financial statement footnotes incorrectly included the current year.
- The Amortization Schedule in the 2019 financial statement footnotes did not list principal and interest for the next five years, 2020 to 2024, individually.

The financial statements, footnotes, and accounting system, where applicable, have been adjusted for these errors.

In addition to the adjustments listed above, we also identified additional immaterial misstatements ranging from \$10,131 to \$18,508 that we have brought to the Village's attention. The financial statements were not adjusted for these errors.

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. It is important that the Council take an active role in monitoring the posting and reporting of such activity. Failure to accurately post and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

**Official's Response:**

The Village has made the corrections to the annual report and accounting records.

**FINDING 2019-002**

**Cash Reconciliation Process Errors**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

**FINDING 2019-002  
(Continued)**

The Finance Director is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not accurately prepared or reviewed each month of 2018 and 2019. The Village has had a reconciled bank balance exceeding total fund balance recorded in the accounting system for several years due to unknown factors. The unidentified variance totaled \$96,078 at December 31, 2018 and \$80,287 at December 31, 2019. The Village contracted with the Auditor of State's Local Government Services Division in 2021 to perform a proof of cash for 2018, 2019, and 2020.

Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Finance Director should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**Official's Response:**

The new administration is aware of the imbalance. We are working with CIVICA CMI to balance the bank and system balances. After reconciliation, we will move to the Uniform Accounting Network (UAN). Having this system should deter the Finance Director from having an imbalance.

**FINDING 2019-003**

**Material Weakness – Budgetary Amounts not recorded in accounting system**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

**FINDING 2019-003  
 (Continued)**

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

At December 31, 2019 and 2018, the budgeted amounts posted to the Village's accounting ledgers varied from the appropriations approved by Council as follows:

2019 Funds	Per Appropriation Resolutions	Amount Posted to System	Variance
General Fund (101)	\$1,875,463	\$1,960,936	\$85,473
Street Maintenance and Repair Fund (201)	136,890	146,890	10,000
DARE Fund (211)	0	2,594	2,594
Fire Fund (215)	252,000	257,533	5,533
Drug Fund (226)	0	8,392	8,392

2018 Funds	Per Appropriation Resolutions	Amount Posted to System	Variance
General Fund (101)	\$1,867,563	\$1,783,190	(\$84,373)
Police Fund (214)	315,236	303,502	(11,734)
Fire Fund (215)	273,736	294,943	21,207
Mayor's Court Computer Fund (229)	25,000	15,000	(10,000)

At December 31, 2018, the budgeted amounts posted to the Village's accounting ledgers varied from the Certificate of Estimated Resources certified by the County Budget Commission as follows:

2018 Funds	Per Certificate of Estimated Resources	Amount Posted to System	Variance
General Fund (101)	\$1,520,891	\$1,535,477	\$14,586
Street Maintenance and Repair Fund (201)	0	110,000	110,000
Permissive Tax Fund (202)	0	17,000	17,000
Sheriff's Drug Forfeiture Fund (212)	0	2,000	2,000
CDBG Fund (217)	0	30,000	30,000
Mayor's Court Computer Fund (229)	0	12,000	12,000

In addition, the following conditions related to the footnotes to the financial statements were identified:

- Budgeted Receipts for the General Fund were overstated by \$11,877 and \$14,586 for 2019 and 2018, respectively.
- Budgeted Receipts for the Special Revenue Funds were overstated by \$48,405 and \$171,922 for 2019 and 2018, respectively.
- Budgeted Receipts for the Capital Projects Funds were understated by \$48,405 for 2019.
- Appropriation Authority for the General Fund was overstated by \$85,276 for 2019 and understated by \$39,774 for 2018.



**FINDING 2019-003  
 (Continued)**

- Appropriation Authority for the Special Revenue Funds was overstated by \$76,154 for 2019 and understated by \$23,599 for 2018.
- Appropriation Authority for the Capital Projects Funds was understated by \$48,406 and \$22,725 for 2019 and 2018, respectively.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**Officials' Response**

The new Director of Finance is working to establish the correct funds to accurately post appropriations. The 2023 budget should reflect corrected changes. We will conduct periodic reviews to check fund balances and appropriated funds.

**2. OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS Compliance and Controls reports.

**FINDING NUMBER 2019-004**

**Finding for Recovery – Credit Cards**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

During 2018, former Finance Director Donna Pope used her Village credit card for disbursements, summarized below, for which supporting documentation was not maintained to substantiate that the expenditures were for a proper public purpose.

<b>Credit Card User</b>	<b>Vendor</b>	<b>Transaction Date</b>	<b>Fund</b>	<b>Amount</b>
Donna Pope	Lowe's	2/17/18	General	\$ 280.10
Donna Pope	Office Depot	7/10/18	General	98.33
<b>Total</b>				<b>\$ 378.43</b>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Donna Pope and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the amount of \$378, and in favor of the Village of Lincoln Heights' General Fund in the amount of \$378.

**FINDING 2019-004  
(Continued)**

**Officials' Response:**

The expenditures corresponded to two community events – Senior Valentine's Day Dance (February 8, 2018) and National Nite Out (July) which was held on the first Tuesday in August. No supporting documentation was found for Donna Pope.

**FINDING 2019-005**

**Finding for Recovery – Interest**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

The Village incurred and paid interest charges totaling \$184 in 2018 and \$438 in 2019 for not paying the account balance in full by the due date on its credit card account statements. The former Finance Director, Donna Pope, was responsible for the timely payment of these bills.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Donna Pope and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the amount of \$622, and in favor of the Village of Lincoln Heights' General Fund in the amount of \$622.

**Officials' Response:**

The Village Manager was not present during this audit period. However, the issue of late payments was discussed with the then Finance Director and noted on her 2022 annual review. The new Finance Director is putting procedures in place to ensure that all accounts are paid in a timely manner. Once we have the system and bank balance equal, we plan to move to the UAN system.

**FINDING NUMBER 2019-006**

**Finding for Recovery – Leave Payout**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

§ 37.13(C)(3)(b) of the Village's **Personnel Policies and Procedures Manual** provides that vacation leave earned must be used during the calendar year in which it is credited to the employee and is not cumulative.

§ 37.13(D)(3)(b) of the Village's **Personnel Policies and Procedures Manual** provides that no sick leave is payable upon separation.

Marlon Mathews terminated service with the Village on March 1, 2019. The Village issued a direct deposit payment to Mr. Mathews on March 21, 2019 that incorrectly included 9.2 unused hours of sick leave and 59.5 unused hours of vacation leave accumulated above his 80 hours of vacation leave credited for 2019 at his hourly rate of \$15.91. Therefore, Mr. Mathews was overpaid \$1,093.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against Marlon Mathews in the amount of \$1,093, and in favor of the Village of Lincoln Heights' General Fund in the amount of \$1,093.

**FINDING 2019-006  
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; State, ex. rel. *Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Att'y. Gen. No. 80-074.

The disbursement to Mr. Mathews was paid by the former Finance Director, Donna Pope. Ms. Pope and her bonding company, the Cincinnati Insurance Company, are jointly and severally liable in the amount of \$1,093 and in favor of the Village of Lincoln Heights General Fund.

**Officials' Response:**

The Village of Lincoln Heights' Employee Handbook, having a revised date of January 30, 2015 under the title of Employee Benefits, states the following:

Upon separation of employment from the Village service, employees shall be entitled to compensation at their current rate of pay for shall be entitled to compensation at their current rate of pay for all lawfully accrued and unused vacation leave that has been earned at all time of separation up to three years. In case of death of an employee, such unused vacation leave shall be paid in accordance with R. C. 2113.04; and

The previously accumulated sick leave of an employee who has been separated from the public service shall be placed to their credit upon their re-employment in public service, provided that such re-employment takes place within 10 years of the date on which the employee was last terminated from service.

Pursuant to Section 37.45 of the Village's Personnel Policy and Procedures Manual, Council adopted the Employee Handbook. The previous Finance Director used the Employee Handbook as the guide for payout. The new administration will ensure that the handbook is updated to reflect the policy change that occurred in 2010.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Finding for Recovery Partially Repaid Under Audit	Fully Corrected	The former Village Manager is on a repayment plan and makes regular payments towards the outstanding balance due.
2017-002	Ohio Rev. Code § 149.351, Destruction of Records	Partially Corrected	Reissued in the Management Letter
2017-003	Ohio Rev. Code 5705.10(C), special levy revenue should only be used for its intended purpose	Fully Corrected	Village changed the policy which led to levy money being moved to the General Fund. This practice is no longer in place.
2017-004	Financial reporting and posting errors	Not Corrected	Reissued as Finding 2019-001
2017-005	Bank Reconciliations with unidentified reconciling variances between bank and book balances	Not Corrected	Reissued as Finding 2019-002
2017-006	Budgetary amounts in CMI not agreeing to official budgetary documents	Not Corrected	Reissued as Finding 2019-003
2017-007	Ohio Rev. Code § 5705.39, Appropriations exceeding Estimated Resources	Partially Corrected	Reissued in the Management Letter
2017-008	Ohio Rev. Code § 5705.41(B), expenditure exceeding Appropriations	Partially Corrected	Reissued in the Management Letter
2017-009	Budgetary Footnote errors	Not Corrected	Reissued as Findings 2019-001 and 2019-002



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF LINCOLN HEIGHTS**

**HAMILTON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/29/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)