



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY
DECEMBER 31, 2023 AND 2022**

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Lincoln Heights, Hamilton County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2023 and 2022, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.

A handwritten signature in black ink, appearing to read "Keith Faber". The signature is fluid and cursive, with the first name "Keith" and last name "Faber" clearly distinguishable.

Keith Faber
Auditor of State
Columbus, Ohio
March 28, 2025

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Village of Lincoln Heights, Ohio*Hamilton County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2023*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Taxes	\$364,075	\$781,176	\$0	\$1,145,251
Municipal Income Tax	1,007,597	0	0	1,007,597
Intergovernmental	175,328	332,109	726,922	1,234,359
Special Assessments	10,829	0	0	10,829
Charges for Services	239,426	0	0	239,426
Fines, Licenses and Permits	142,592	3,401	0	145,993
Miscellaneous	77,923	3,558	0	81,481
Total Cash Receipts	2,017,770	1,120,244	726,922	3,864,936
Cash Disbursements				
Current:				
Security of Persons & Property	528,710	676,093	0	1,204,803
Leisure Time Activities	0	21,778	0	21,778
Community Environment	450	0	6,718	7,168
Transportation	0	473,604	334,519	808,123
General Government	1,047,003	82,796	0	1,126,799
Capital Outlay	8,312	31,011	266,770	306,093
Debt Service:				
Principal Retirement	0	84,603	0	84,603
Interest and Fiscal Charges	0	2,230	0	2,230
Total Cash Disbursements	1,584,475	1,372,115	608,007	3,564,597
Excess of Receipts Over (Under) Disbursements	433,295	(251,871)	118,915	300,339
Other Financing Receipts (Disbursements)				
Loans Issued	0	0	49,175	49,175
Advances In	0	79,812	0	79,812
Advances Out	0	0	(79,812)	(79,812)
Total Other Financing Receipts (Disbursements)	0	79,812	(30,637)	49,175
Special Item	17,467	0	0	17,467
Net Change in Fund Cash Balances	450,762	(172,059)	88,278	366,981
Fund Cash Balances, January 1	\$731,008	\$899,752	\$49,204	\$1,679,964
Fund Cash Balances, December 31	\$1,181,770	\$727,693	\$137,482	\$2,046,945

See accompanying notes to the basic financial statements

Village of Lincoln Heights, Ohio*Hamilton County**Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)**Fiduciary Fund Type**For the Year Ended December 31, 2023*

	Custodial	Totals (Memorandum Only)
Additions		
Fines, Licenses and Permits for Distribution	\$ 13,475	\$ 13,475
Gifts and Donations (trust funds only)	90	90
	<u>13,565</u>	<u>13,565</u>
<i>Total Additions</i>		
Deductions		
Distributions to Other Governments	1,353	1,353
Distributions to Other Funds (Primary Gov't)	11,708	11,708
Other Distributions	407	407
	<u>13,468</u>	<u>13,468</u>
<i>Total Deductions</i>		
	97	97
<i>Net Change in Fund Balances</i>		
	<u>2,134</u>	<u>2,134</u>
<i>Fund Cash Balances, January 1</i>		
	<u>2,231</u>	<u>2,231</u>
<i>Fund Cash Balances, December 31</i>		

See accompanying notes to the basic financial statements

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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 police enforcement, fire-fighting, prevention and inspection, emergency medical services, community planning and zoning, and street maintenance and repair. The Village contracts with the Hamilton County Sheriff's Department to provide security for persons and property. The Village contracts with the Village of Woodlawn to receive fire protection 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 provide 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 receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary 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:

Police Fund The police levy fund accounts for and reports the property tax is restricted for providing police enforcement.

Fire Levy Fund The fire levy fund accounts for and reports that a portion of the property tax is restricted for providing fire-fighting, prevention and inspection, and emergency medical services to the Village and its residents.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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 funds:

Grant Construction – Community Impact Fund The Grant Construction – Community Impact Fund accounts for and reports proceeds of Hamilton County’s Board of County Commissioners (BOCC) grant. The proceeds are restricted to various capital projects within the Village, including roadway improvements and community revitalization.

Grant Construction – SORTA – Leggett and Wabash Fund The Grant Construction – SORTA – Leggett and Wabash Fund accounts for and reports proceeds of the Southwest Ohio Regional Transit Authority (SORTA). The proceeds are restricted to roadway improvements to Leggett Avenue and Wabash Street.

Fiduciary Funds Fiduciary funds include private-purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village’s custodial funds account for the Mayor’s court operations and an educational scholarship.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions, and changes in fund balances (regulatory cash basis) for all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial 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.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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 2023 budgetary activity appears in Note 3.

Deposits and Investments

The Village's 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 liability for unpaid leave.

SBITAs

The Village has entered into a noncancelable Subscription-Based Information Technology Arrangement (SBITA) contract (as defined by GASB 96) for software contracts related to various software. Subscription disbursements are recognized when they are paid.

Settlement Monies

Ohio has reached settlement agreements with various distributors of opioids which are subject to the OneOhio memorandum of understanding. The original settlement was reached in 2021 with annual payments anticipated through 2038. For 2023, distributions of \$2,870.96 are reflected as federal-restricted revenue in the National Opioid Settlement Special Revenue Fund in the accompanying financial statements.

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. For regulatory purposes, a nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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 Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, the assigned fund balance in the general fund is limited to encumbrances outstanding at year-end.

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within an 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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2023, follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,716,232	\$2,017,770	\$301,538
Special Revenue	1,189,252	1,120,244	(69,008)
Capital Projects	7,228,247	726,922	(6,501,325)
Fiduciary	0	13,565	13,565
Total	<u>\$10,133,731</u>	<u>\$3,878,501</u>	<u>(\$6,255,230)</u>

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,427,065	\$1,584,475	\$842,590
Special Revenue	2,078,748	1,372,115	706,633
Capital Projects	7,361,351	608,007	6,753,344
Fiduciary	0	13,468	(13,468)
Total	<u>\$11,867,164</u>	<u>\$3,578,065</u>	<u>\$8,289,099</u>

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has segregated accounts which include clearing accounts and amounts with fiscal and escrow agents that are not part of this pool. A summary of the Village's deposit and investment accounts is as follows:

	2023
<i>Cash Management Pool:</i>	
Demand deposits	\$2,049,176
Total deposits	<u>\$2,049,176</u>

The Village has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll.

The Village also has a mayor's court clearing account held outside of the deposit pool where funds are held for distribution. The expenditures include fines, indigent driver alcohol treatment, and reparations.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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.

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

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.

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
- Automotive liability
- Vehicle
- 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:

	2023
Cash and investments	\$43,996,442
Actuarial liabilities	\$19,743,401

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Nine 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. Eight OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. One OPERS member contributed 0 percent of their gross salary, and the Village contributed an amount equaling 24 percent of the participant's gross salary. The Village has paid all contributions required through December 31, 2023.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer-defined benefit post-employment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves.

Note 9 – Debt

Debt outstanding on December 31, 2023, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan CB12S	\$48,050	0.00%
Financed Lease of a Skid Steer	10,419	4.20%
Financed Purchase of a Truck	19,324	5.99%
Ohio Public Works Commission Loan CB12V	161,133	0.00%
Ohio Public Works Commission Loan CB20W	329,303	0.00%
Ohio Public Works Commission Loan CB15X	110,141	0.00%
Ohio Public Works Commission Loan CB05Y	109,785	0.00%
Total	<u><u>\$788,155</u></u>	

The Ohio Public Works Commission (OPWC) CB12S loan relates to street improvements for Dixie Court. The OPWC approved up to \$135,960.00 in loans to the Village for this project. In 2017, the OPWC adjusted the scheduled payment to reflect the revision in the amounts the Village borrowed (\$68,643.55). The Village repays the loan in semiannual installments of \$1,716.09 over 20 years with a final maturity in July 2037.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

The Ohio Public Works Commission (OPWC) CB12V loan relates to street improvements for Leggett and Schumard Streets. The OPWC approved up to \$412,900.00 in loans to the Village for this project. In 2021, the OPWC adjusted the scheduled payment to reflect the revision in the amounts the Village borrowed (\$189,568.21). The Village repays the loan in semiannual installments of \$4,739.21 over 20 years with a final maturity in July 2040.

The Ohio Public Works Commission (OPWC) CB20W loan relates to street improvements for Steffen and McIntyre Streets. The OPWC approved up to \$482,050.00 in loans to the Village for this project. In 2022, the OPWC adjusted the scheduled payment to reflect the revision in the amounts the Village borrowed (\$356,003.45). The Village repays the loan in semiannual installments of \$8,900.08 over 20 years with a final maturity in January 2042.

The Ohio Public Works Commission (OPWC) CB15X loan relates to street improvements for Matthews Drive and Taylor Court. The OPWC approved up to \$152,200.00 in loans to the Village for this project. In 2022, the OPWC adjusted the scheduled payment to reflect the revision in the amounts the Village borrowed (\$119,071.35). The Village repays the loan in semiannual installments of \$2,976.78 over 20 years with a final maturity in January 2042.

The Ohio Public Works Commission (OPWC) CB05Y loan relates to street improvements for Leggett Street and Wabash Avenue. The OPWC approved up to \$367,500.00 in loans to the Village for this project. In 2023, the OPWC adjusted the scheduled payment to reflect the revision in the amounts the Village borrowed (\$109,784.57). The Village repays the loan in semiannual installments of \$2,744.61 over 20 years with a final maturity in July 2043.

Financed Purchases

The Village has entered into financed lease and purchase agreements for a vehicle and other equipment where ownership of the underlying asset transfers to the Village by the end of the contract. The Village disbursed \$50,168.35 to pay these costs for the fiscal year ended December 31, 2023.

Amortization

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

Year Ending December 31:	Financed Purchases	OPWC Dixie Court CB12S	OPWC Leggett Street CB12V	OPWC Steffen Avenue CB20W	OPWC Matthews Drive CB15X	OPWC Leggett & Wabash CB05Y
2024	\$29,744	\$3,432	\$9,478	\$17,800	\$5,954	\$5,489
2025		\$3,432	\$9,478	\$17,800	\$5,954	\$5,489
2026		\$3,432	\$9,478	\$17,800	\$5,954	\$5,489
2027		\$3,432	\$9,478	\$17,800	\$5,954	\$5,489
2028		\$3,432	\$9,478	\$17,800	\$5,954	\$5,489
2029-2033		\$17,161	\$47,392	\$89,001	\$29,768	\$27,446
2034-2038		\$13,729	\$47,392	\$89,001	\$29,768	\$27,446
2039-2043			\$18,957	\$62,301	\$20,838	\$27,446
Total	<u>\$29,744</u>	<u>\$48,050</u>	<u>\$161,133</u>	<u>\$329,303</u>	<u>\$110,141</u>	<u>\$109,785</u>

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 10 – Contingent Liabilities

The Village is party to ongoing litigation. 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 – Fund Balances

Included in the fund balances are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Outstanding Encumbrances	\$3,928	\$33,910	\$44,200	\$82,038
<i>Total</i>	<u>\$3,928</u>	<u>\$33,910</u>	<u>\$44,200</u>	<u>\$82,038</u>

The fund balance of the special revenue funds is either restricted or committed. The fund balances of capital projects funds are restricted committed or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 13 – Restatement

Beginning Balances were restated due to Local Government Services' Proof of Cash Testing.

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary</u>	<u>Total</u>
					0
Ending Balance 2022	<u>\$720,921</u>	<u>\$893,024</u>	<u>\$51,444</u>	<u>\$2,134</u>	<u>\$1,667,523</u>
Restated Beginning Balance 2023	<u>\$731,008</u>	<u>\$899,752</u>	<u>\$49,204</u>	<u>\$2,134</u>	<u>\$1,682,098</u>
<i>Total</i>	<u><u>\$10,087</u></u>	<u><u>\$6,728</u></u>	<u><u>(\$2,240)</u></u>	<u><u>\$0</u></u>	<u><u>\$14,575</u></u>

Village of Lincoln Heights, Ohio
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$353,898	\$770,716		\$1,124,614
Municipal Income Tax	719,537			719,537
Intergovernmental	250,086	421,859	1,398,534	2,070,479
Charges for Services	205,729			205,729
Fines, Licenses and Permits	183,842	1,313		185,155
Miscellaneous	33,561	863		34,424
<i>Total Cash Receipts</i>	<u>1,746,653</u>	<u>1,194,751</u>	<u>1,398,534</u>	<u>4,339,938</u>
Cash Disbursements				
Current:				
Security of Persons and Property	617,964	657,863		1,275,827
Community Environment	1,404			1,404
Transportation	177,548	150,132		327,680
General Government	1,103,830	116,657		1,220,487
Capital Outlay	619	103,947	1,412,464	1,517,030
Debt Service:				
Principal Retirement	18,167	54,428		72,595
Interest and Fiscal Charges	1,157	1,204		2,361
<i>Total Cash Disbursements</i>	<u>1,920,689</u>	<u>1,084,231</u>	<u>1,412,464</u>	<u>4,417,384</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(174,036)</u>	<u>110,520</u>	<u>(13,930)</u>	<u>(77,446)</u>
Other Financing Receipts (Disbursements)				
Loans Issued			63,134	63,134
Transfers In	19,272	3,899		23,171
Transfers Out	(3,899)	(17,032)	(2,240)	(23,171)
Advances In			79,812	79,812
Advances Out			(79,812)	(79,812)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>15,373</u>	<u>(13,133)</u>	<u>60,894</u>	<u>63,134</u>
<i>Net Change in Fund Cash Balances</i>	<u>(158,663)</u>	<u>97,387</u>	<u>46,964</u>	<u>(14,312)</u>
<i>Fund Cash Balances, January 1</i>	<u>879,584</u>	<u>795,637</u>	<u>4,480</u>	<u>1,679,701</u>
<i>Fund Cash Balances, December 31</i>	<u>\$720,921</u>	<u>\$893,024</u>	<u>\$51,444</u>	<u>\$1,665,389</u>

See accompanying notes to the basic financial statements

Village of Lincoln Heights, Ohio*Hamilton County**Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)**Fiduciary Fund Type**For the Year Ended December 31, 2022*

	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Custodial</u>	<u>(Memorandum Only)</u>
Additions		
Fines, Licenses and Permits	29,760	29,760
<i>Total Additions</i>	<u>29,760</u>	<u>29,760</u>
Deductions		
Distributions to Other Governments	1,748	1,748
Distributions to Other Funds (Primary Gov't)	30,129	30,129
Other Distributions	88	88
<i>Total Deductions</i>	<u>31,965</u>	<u>31,965</u>
<i>Net Change in Fund Balances</i>	(2,205)	(2,205)
<i>Fund Cash Balances, January 1</i>	<u>4,339</u>	<u>4,339</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,134</u>	<u>\$2,134</u>

See accompanying notes to the basic financial statements

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lincoln Heights, Hamilton County, Ohio (the Village) as a body corporate and political. 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 for 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 receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary 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:

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 are restricted for the 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.

Police Fund This fund received property tax money for providing police and safety services.

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 funds:

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, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for Mayor's court operations and an educational scholarship.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions, and changes in fund balances (regulatory cash basis) of all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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 117-203-(C). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned and recognizes

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 117-203-(C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund 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 2022 budgetary activity appears in Note 3.

Deposits

The Village's 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 liability for unpaid leave.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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 are 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 satisfying contractual requirements.

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, the assigned fund balance in the general fund is limited to encumbrances outstanding at year-end.

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 an 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. For regulatory purposes, limited disclosure related to fund balances is included in Note 12.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2022, follows:

2022 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,672,993	\$1,746,653	\$73,660
Special Revenue	1,193,173	1,194,751	1,578
Capital Projects	4,755,780	1,398,534	(3,357,246)
Fiduciary	0	29,760	29,760
Total	<u>\$7,621,946</u>	<u>\$4,369,698</u>	<u>(\$3,352,248)</u>

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,360,898	\$1,920,689	\$440,209
Special Revenue	1,425,529	1,084,231	341,298
Capital Projects	4,755,780	1,412,464	3,343,316
Fiduciary	0	31,965	(31,965)
Total	<u>\$8,542,207</u>	<u>\$4,449,349</u>	<u>\$4,092,858</u>

Note 4— Deposits

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

	<u>2022</u>
Demand deposits	<u>\$1,667,522</u>
Total deposits	<u>1,667,522</u>

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

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).

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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:

	<u>2022</u>
Cash and investments	\$42,310,794
Actuarial liabilities	\$15,24,479

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.

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, 2022.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit post-employment 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 the calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member directed Plan was 2.0 percent during the calendar year 2022.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 9 – Debt

The debt outstanding on December 31, 2022, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CB12S Dixie Court	\$51,483	0%
OPWC CB05Y Leggett Street & Wab	\$60,610	0%
OPWC CB12V Leggett Street & Schu	\$170,611	0%
OPWC Matthews Drive CB15X	\$116,094	0%
OPWC Steffen Avenue CB20W	\$347,103	0%
John Deere Backhoe	\$18,495	3.75%
John Deere Skid Steer	\$19,544	4.20%
Ford F-550 Snow Vehicle	<u>\$28,328</u>	5.99%
	\$812,268	

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.

The Ohio Public Works Commission (OPWC) loan relates to project CB05Y a street improvement project for Leggett and Wabash Streets. The loan was approved in 2021 for \$109,784 to be paid off over 20 years with a final maturity in January 2043.

The Ohio Public Works Commission (OPWC) loan relates to project CB12V a street improvement project for Leggett Street and Schumard Avenue. The loan was approved in 2017 for \$189,568 to be paid off over 20 years with a final maturity in January 2040.

The Ohio Public Works Commission (OPWC) loan relates to project CB15X a street improvement project for Matthews Drive. The loan was approved in 2021 for \$119,071 to be paid off over 20 years with a final maturity in January 2042.

The Ohio Public Works Commission (OPWC) loan relates to project CB20W a street improvement project for Steffen Avenue. The loan was approved in 2020 for \$356,003 to be paid off over 20 years with a final maturity in January 2042.

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 June 2020 the Village entered into a purchase agreement with John Deere to purchase a skid steer over 4 annual payments at an interest rate of 4.2%. With the final payment due in 2024.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

In November 2020 the Village entered into a purchase agreement with Ford Motor Credit to purchase a Ford F-550 over 4 annual payments at an interest rate of 5.99%. With the final payment due in 2024.

Amortization

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

Year Ending December 31:	OPWC Dixie Court CB12S	OPWC Leggett Street CB12V	OPWC Matthews Drive CB15X	OPWC Steffen Avenue CB20W	John Deere Backhoe	John Deere Skid Steer	Ford F-550 Snow Vehicle
2023	3,432	9,478	5,954	17,800	20,429	10,416	19,324
2024	3,432	9,478	5,954	17,800	0	10,416	19,324
2025	3,432	9,478	5,954	17,800	0	0	0
2026	3,432	9,478	5,954	17,800	0	0	0
2027-2031	17,161	47,392	29,768	89,001	0	0	0
2032-2036	17,161	47,392	29,768	89,001	0	0	0
2037-2041	3,432	37,914	29,768	89,001	0	0	0
2042	0	0	2,977	8,900	0	0	0
Total	51,483	170,611	116,094	347,103	20,429	20,833	38,649

Note 10– Contingent Liabilities

The Village has settled all pending lawsuits since the 2016-2017 audit.

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.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 12 - Fund Balances

Included in the fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the nonexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the Village had no encumbrances.

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted committed or assigned. The fund balance of permanent funds that are not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements of the Village of Lincoln Heights, Hamilton County (the Village), and have issued our report thereon dated March 28, 2025, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 through 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-003.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
March 28, 2025

**VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

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

FINDING NUMBER 2023-001

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 2023 financial statements. For 2023, the Mayor's Court Custodial Fund had a Beginning Fund Balance of \$1,814, Fines, Licenses and Permits receipts of \$13,475, Distributions to Other Governments of \$1,353, Distributions to Other Funds (Primary Gov't) of \$11,708, Distributions to Others of \$407, and an Ending Fund Balance of \$1,821.
- The Village incorrectly reported the Community Broadband Fund in the Special Revenue Funds in 2023 rather than in the Capital Projects Funds. For 2023, the Community Broadband Fund had a Beginning Fund Balance of \$37,500, Intergovernmental receipts of \$62,500, Community Environment disbursements of \$6,718, and an Ending Fund Balance of \$93,282.
- The Village incorrectly reported the Mayor's Court Computer Fund in the Custodial Funds in 2023 rather than in the Special Revenue Funds. For 2023, the Mayor's Court Computer Fund had a Beginning Fund Balance of \$16,702, Fines, Licenses and Permits receipts of \$455, General Government disbursements of \$3,569, and an Ending Fund Balance of \$13,588.
- The Village incorrectly reported the Natureworks Grant Fund in the Special Revenue Funds in 2022 rather than in the Capital Projects Funds. For 2022, the Natureworks Grant Fund had a Beginning Fund Balance of \$2,240, Advances In of \$79,812, Transfers Out of \$2,240, and Advances Out of \$79,812.
- The Village incorrectly reported the Seeds of Hope Scholarship Fund in the Special Revenue Funds in 2022 rather than in the Custodial Funds. For 2022, the Seeds of Hope Scholarship Fund had a Beginning Fund Balance and an Ending Fund Balance of \$320 each.
- Principal Retirement totaling \$84,603 in the Special Revenue Funds was incorrectly reported as Interest and Fiscal Charges in 2023.
- Intergovernmental receipts totaling \$50,158 in the Special Revenue Funds for Homestead and Rollback were incorrectly reported as Property and Other Local Taxes receipts in 2022.
- Intergovernmental receipts totaling \$32,100 in the Capital Projects Funds were incorrectly reported in the Special Revenue Funds for 2022.
- Fines, Licenses and Permits receipts, Distributions to Other Governments, and Distributions to Other Funds (Primary Gov't) were overstated by \$369, \$117, and \$2,066, respectively, for the Mayor's Court in the Custodial Funds for 2022.

FINDING NUMBER 2023-001
(Continued)

- Capital Outlay disbursements totaling \$14,342 in the Special Revenue Funds were incorrectly reported in the Capital Projects Funds for 2022.
- Loan Proceeds and Capital Outlay disbursements each totaling \$63,134 were not recorded in the Capital Projects Funds for 2022.
- The total carrying amount of deposits in the 2022 financial statement footnotes was overstated by \$62,263.
- Budgeted Receipts in the 2023 financial statement footnotes were understated by \$10,087 in the General Fund and overstated by \$78,772 in the Special Revenue Funds.
- Budgeted Receipts in the 2022 financial statement footnotes were overstated by \$106,412 in the Capital Projects Funds.
- Appropriation Authority in the 2023 financial statement footnotes was overstated by \$104,699 in the Special Revenue Funds and understated by \$121,400 in the Capital Projects Funds.
- Appropriation Authority in the 2023 financial statement footnotes was understated by \$3,899 in the General Fund, overstated by \$2,731,260 in the Special Revenue Funds, and understated by \$2,834,240 in the Capital Projects Funds.

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

In addition to the adjustments listed above, we also identified additional immaterial misstatements ranging from \$4,778 to \$65,541 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 preparing financial statements. 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.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2023-002

Material Weakness – 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.

FINDING NUMBER 2023-002
(Continued)

The reconciliation of cash (bank) balances to accounting system records (book) 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.

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 2023 and 2022. The Village 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 \$64,717 at December 31, 2022. During 2023, the Village changed its accounting system from CMI to UAN, and contracted with the Auditor of State's Local Government Services Division (LGS) to perform a proof of cash. LGS provided fund balance adjustment entries to the Village that were recorded in the accounting system in November 2023 to eliminate the unidentified variance between the reconciled bank balance and total fund balance.

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.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2023-003

Noncompliance – Contract Competitive Bidding

Ohio Rev. Code § 731.14 states, in part, that all contracts made by the legislative authority for material and labor which exceed \$50,000 (beginning October 3, 2023 through calendar year 2024, the amount was increased to \$75,000 as stated in Ohio Rev. Code § 9.17) are subject to competitive bidding procedures. Competitive bidding procedures require that a contract be entered into in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the Village.

In 2022, the Village disbursed \$257,750 to a single vendor for a community Wi-Fi project. The Village was unable to demonstrate that competitive bidding procedures were utilized to select the contractor for the project in 2021. The Village had no bidding documents, newspaper affidavits, or evidence from the meeting minutes which demonstrated the Village's Board of Public Affairs or the Village Council reviewed bids and selected the lowest responsible bidder.

Failure to adopt procedures regarding competitive bidding will result in noncompliance with Ohio Rev. Code § 731.14. Furthermore, this could lead to misuse of public funds, as similar work could potentially be provided to the Village at a lower cost if bidding procedures were to be properly utilized. The Village Council and, if applicable, the Board of Public Affairs should let out future projects by competitive bidding and follow the guidelines outlined in Ohio Rev. Code § 731.14.

FINDING NUMBER 2023-003
(Continued)

Officials' Response:

We did not receive a response from Officials to this finding.

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 or Single Audit Compliance and Controls reports.

FINDING NUMBER 2023-004

Finding for Recovery – Leave Payouts

Village Ordinance No. 2010-O-2 directed **Title III, Chapter 37, Section 37.13(D)(3)** of the Village's Personnel Policy and Procures to read that no sick leave is payable upon separation.

Rita Watson terminated service with the Village in December 2021. The Village issued a direct deposit payment to Ms. Watson on January 6, 2022 that (1) incorrectly included 106.26 unused hours of sick leave at an hourly rate of \$36.00; and, (2) correctly included 38.8 unused hours of vacation leave but at an incorrect hourly rate of \$36.00 rather than her approved hourly rate of \$18.00. Therefore, Ms. Watson was overpaid \$4,523.76.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.24, a Finding for Recovery for public monies illegally expended is hereby issued against Rita Watson, and former Finance Director Donna Pope and Cincinnati Insurance Company, jointly and severally, in the amount of \$4,523.76, and in favor of the Village of Lincoln Heights, General Fund, in the amount of \$4,523.76.

Officials' Response:

We did not receive a response from Officials to this finding.



Village of Lincoln Heights

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2023 AND 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	Financial reporting and posting errors	Not Corrected	Reissued as Finding 2023-001
2021-002	Bank Reconciliations with unidentified reconciling variances between bank and book balances	Not Corrected	Reissued as Finding 2023-002
2021-003	Budgetary system amounts not agreeing to official budgetary documents	Partially Corrected	Reissued in the Management Letter
2021-004	Leave payouts	Additional Leave Payouts Occurred	Additional leave payouts occurred - Finding 2023-004
2021-005	Credit card interest charges	Corrected	None

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 4/17/2025

65 East State 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