



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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, 2017 and 2016.

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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Basis for Opinion Qualification

At December 31, 2017, the balance of the Village's bank account was \$48,868 higher than the reconciled Village total ending fund cash balances, which represents 8.2% of total ending fund cash balances, 14.9% of the General fund ending fund cash balance, 20.4% of the Special Revenue funds ending fund cash balance, 801% of the Debt Service fund ending fund cash balance and 195.7% of the Capital Projects fund ending fund cash balance at December 31, 2017. We were unable to obtain sufficient appropriate audit evidence identifying the funds which the unreconciled amount applied. Consequently, we were unable to determine an accurate ending fund cash balance for the individual fund types.

At December 31, 2017, the balance of the Village's Mayor's Court bank account was \$3,810 higher than the reconciled Mayor's Court Agency fund ending fund cash balance, which represents 93% of the Agency fund ending fund cash balance at December 31, 2017.

At December 31, 2016, the balance of the Village's bank account was \$3,830 higher than the reconciled Village total ending fund cash balances, which represents .7% of total ending fund cash balances, 1.3% of the General fund ending fund cash balance, 1.7% of the Special Revenue funds ending fund cash balance, 62.8% of the Debt Service fund ending fund cash balance and 15.4% of the Capital Projects fund ending fund cash balance at December 31, 2016. We were unable to obtain sufficient appropriate audit evidence identifying the funds which the unreconciled amount applied. Consequently, we were unable to determine an accurate ending fund cash balance for the individual fund types.

At December 31, 2016, the balance of the Village's Mayor's Court bank account was \$3,760 higher than the reconciled Mayor's Court Agency fund ending fund cash balance, which represents 97% of the Agency fund ending fund cash balance at December 31, 2016.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the *Basis for Opinion Qualification* paragraph, 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 of Lincoln Heights, Hamilton County as of December 31, 2017 and 2016, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019 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

February 20, 2019

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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, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$332,368	\$423,845	\$0	\$0	\$756,213
Municipal Income Tax	593,349	0	0	0	593,349
Intergovernmental	261,403	197,487	0	46,522	505,412
Charges for Services	276,121	0	0	0	276,121
Fines, Licenses and Permits	68,069	2,622	0	0	70,691
Miscellaneous	68,337	14,342	0	100	82,779
<i>Total Cash Receipts</i>	<u>1,599,647</u>	<u>638,296</u>	<u>0</u>	<u>46,622</u>	<u>2,284,565</u>
Cash Disbursements					
Current:					
Security of Persons and Property	404,580	485,850	0	0	890,430
Leisure Time Activities	0	761	0	0	761
Community Environment	26,269	0	0	0	26,269
Basic Utility Services	0	43,720	0	0	43,720
Transportation	81,569	88,252	0	0	169,821
General Government	1,044,410	0	0	0	1,044,410
Capital Outlay	16,000	69,505	0	46,522	132,027
Debt Service:					
Principal Retirement	6,166	6,645	0	0	12,811
Interest and Fiscal Charges	0	0	0	0	0
<i>Total Cash Disbursements</i>	<u>1,578,994</u>	<u>694,733</u>	<u>0</u>	<u>46,522</u>	<u>2,320,249</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,653</u>	<u>(56,437)</u>	<u>0</u>	<u>100</u>	<u>(35,684)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	16,020	0	0	0	16,020
OPWC Loan Issued	0	68,644	0	0	68,644
Other Financing Uses	0	0	0	0	0
<i>Total Other Financing Receipts (Disbursements)</i>	<u>16,020</u>	<u>68,644</u>	<u>0</u>	<u>0</u>	<u>84,664</u>
<i>Net Change in Fund Cash Balances</i>	36,673	12,207	0	100	48,980
<i>Fund Cash Balances, January 1</i>	<u>291,020</u>	<u>227,509</u>	<u>61</u>	<u>24,865</u>	<u>543,455</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	239,716	61	24,965	264,742
Committed	0	0	0	0	0
Assigned	197	0	0	0	197
Unassigned (Deficit)	327,496	0	0	0	327,496
<i>Fund Cash Balances, December 31</i>	<u>\$327,693</u>	<u>\$239,716</u>	<u>\$61</u>	<u>\$24,965</u>	<u>\$592,435</u>

See accompanying notes to the basic financial statements

Village of Lincoln Heights, Ohio
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2017

	<u>Agency</u>
Operating Cash Receipts	
Charges for Services	\$0
Fines, Licenses and Permits	\$0
Earnings on Investments (trust funds only)	\$0
Miscellaneous	0
	<hr/>
<i>Total Operating Cash Receipts</i>	0
	<hr/>
Operating Cash Disbursements	
Personal Services	0
Employee Fringe Benefits	0
Contractual Services	0
Supplies and Materials	0
Claims	0
Other	0
	<hr/>
<i>Total Operating Cash Disbursements</i>	0
	<hr/>
<i>Operating Income (Loss)</i>	0
	<hr/>
Non-Operating Receipts (Disbursements)	
Other Financing Sources	49,312
Other Financing Uses	(49,095)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	217
	<hr/>
<i>Net Change in Fund Cash Balances</i>	217
	<hr/>
<i>Fund Cash Balances, January 1</i>	3,877
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$4,094</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, 2017

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.

Public Entity Risk Pools

The Village participates in the Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity. The Village also participates in the Ohio Municipal League Group Rating Plan. Note 12 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 receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are 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 within the Village.

Fire Fund - This fund receives property tax money for providing fire 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, 2017

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 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 and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any private purpose trust funds.

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

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.

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.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

Deposit

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.

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*. 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 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.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street fund by \$64,402, Police Levy fund by \$3,306, Waste Levy fund by \$27,628 and Cap 817 Capital Improvement fund by \$46,522 for the year ended December 31, 2017. Also contrary to Ohio law, the appropriation authority exceeded estimated resources in the Summer Youth fund by \$636 for the year ended December 31, 2017.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,564,640	\$1,615,667	\$51,027
Special Revenue	640,151	706,939	66,788
Debt Service	1	0	(1)
Capital Projects	0	46,522	46,522
Total	\$2,204,792	\$2,369,128	\$164,336

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,827,986	\$1,578,994	\$248,992
Special Revenue	641,100	694,732	(53,632)
Debt Service	0	0	0
Capital Projects	0	46,522	(46,522)
Total	\$2,469,086	\$2,320,248	\$148,838

Note 5 – Deposits

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

	<u>2017</u>
Demand deposits	<u>\$722,548</u>
Total deposits	<u>722,548</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village

Note 6 – 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 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 7 - 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 exposed to various risks of property and casualty losses, and injuries to employees.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately 11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$44,000.

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

<u>2017 Contributions to</u> <u>PEP \$ 69,910</u>
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Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2017.

Note 9 - Postemployment Benefits

OPERS offers 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Street Loan Program #1	\$14,170	0%
OPWC Street Loan Program #2	\$66,927	0%
State Fire Marshall Loan	\$22,569	0%
John Deere Lease	2,851	4.25%
Total	\$106,517	

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 State Fire Marshall loan relates to the purchase of an EMS vehicle. This non-interest bearing loan was initiated in 2003, a total amount of \$95,932. The final maturity of the loan is on January 1, 2023.

Leases

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Village leases equipment through John Deere Financial under a noncancelable lease. The Village disbursed \$865 to pay lease costs for the year ended December 31, 2017.

Amortization

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

Year Ending December 31:	John Deere Lease	OPWC #1 Loan	OPWC #2 Loan	State Fire Marshall Loan
2018	\$2,353	\$2,576	\$3,432	\$4,800
2019	589	2,576	3,432	4,800
2020	0	2,576	3,432	4,800
2021	0	2,576	3,432	4,800
2022	0	2,576	3,432	3,369
2023 - 2027	0	1,290	49,767	0
Total	<u>\$2,942</u>	<u>\$14,170</u>	<u>\$66,927</u>	<u>\$22,569</u>

Note 11 – Contingent Liabilities

The Village is a defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Note 12 – 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
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$324,182	\$523,716	\$0	\$0	\$847,898
Municipal Income Tax	538,713	0	0	0	538,713
Intergovernmental	166,309	207,650	0	269,362	643,321
Charges for Services	155,221	0	0	0	155,221
Fines, Licenses and Permits	86,456	3,560	0	0	90,016
Miscellaneous	20,136	6,596	0	0	26,732
<i>Total Cash Receipts</i>	<u>1,291,017</u>	<u>741,522</u>	<u>0</u>	<u>269,362</u>	<u>2,301,901</u>
Cash Disbursements					
Current:					
Security of Persons and Property	574,811	411,946	0	0	986,757
Public Health Services	0	0	0	0	0
Leisure Time Activities	0	5,897	0	0	5,897
Community Environment	27,895	750	0	0	28,645
Basic Utility Services	0	165,237	0	0	165,237
Transportation	0	115,629	0	0	115,629
General Government	735,906	0	0	0	735,906
Capital Outlay	0	1,250	0	269,362	270,612
Debt Service:					
Principal Retirement	4,800	3,053	0	0	7,853
Interest and Fiscal Charges	0	0	0	0	0
<i>Total Cash Disbursements</i>	<u>1,343,412</u>	<u>703,762</u>	<u>0</u>	<u>269,362</u>	<u>2,316,536</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(52,395)</u>	<u>37,760</u>	<u>0</u>	<u>0</u>	<u>(14,635)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	8,050	0	0	0	8,050
Transfers In	0	54,000	0	0	54,000
Transfers Out	(54,000)	0	0	0	(54,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(45,950)</u>	<u>54,000</u>	<u>0</u>	<u>0</u>	<u>8,050</u>
<i>Net Change in Fund Cash Balances</i>	<u>(98,345)</u>	<u>91,760</u>	<u>0</u>	<u>0</u>	<u>(6,585)</u>
<i>Fund Cash Balances, January 1</i>	<u>389,365</u>	<u>135,749</u>	<u>61</u>	<u>24,865</u>	<u>550,040</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	227,509	61	24,865	252,435
Committed	0	0	0	0	0
Assigned	2,182	0	0	0	2,182
Unassigned (Deficit)	288,838	0	0	0	288,838
<i>Fund Cash Balances, December 31</i>	<u>\$291,020</u>	<u>\$227,509</u>	<u>\$61</u>	<u>\$24,865</u>	<u>\$543,455</u>

See accompanying notes to the basic financial statements

Village of Lincoln Heights, Ohio
Hamilton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2016

	<u>Agency</u>
Operating Cash Receipts	
Charges for Services	\$0
Fines, Licenses and Permits	0
Earnings on Investments (trust funds only)	0
Miscellaneous	0
<i>Total Operating Cash Receipts</i>	0
Operating Cash Disbursements	
Personal Services	0
Employee Fringe Benefits	0
Contractual Services	0
Supplies and Materials	0
Claims	0
Other	0
<i>Total Operating Cash Disbursements</i>	<u>0</u>
<i>Operating Income (Loss)</i>	<u>0</u>
Non-Operating Receipts (Disbursements)	
Other Financing Sources	61,120
Other Financing Uses	(67,880)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(6,760)</u>
<i>Net Change in Fund Cash Balances</i>	(6,760)
<i>Fund Cash Balances, January 1</i>	<u>10,637</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,877</u></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, 2016

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.

Public Entity Risk Pools

The Village participates in the Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity. The Village also participates in the Ohio Municipal League Group Rating Plan. Note 12 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 receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are 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 within the Village.

Fire Fund - This fund receives property tax money for providing fire 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, 2016

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 funds:

Cap 817 Capital Improvement Fund - This fund receives transfers from the General Fund and monies from the 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 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.

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.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

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.

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*. 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 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.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Permissive Motor Vehicle fund by \$1,313, Seeds of Hope fund by \$250 and Cap 817 Capital Improvement fund by \$246,862 for the year ended December 31, 2016. Also contrary to Ohio law, the appropriation authority exceeded estimated resources in the General fund by \$12,402, Enforcement & Education fund by \$100, Police Levy fund by \$21,000, Fire Levy fund by \$11,333, Lincoln Heights Days Festival fund by \$726 and Seeds of Hope fund by \$302 for the year ended December 31, 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,327,006	\$1,299,067	(\$27,939)
Special Revenue	763,405	795,522	32,117
Debt Service	0	0	0
Capital Projects	246,862	269,362	22,500
Total	\$2,337,273	\$2,363,951	\$26,678

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,612,691	\$1,397,412	\$215,279
Special Revenue	842,359	703,762	138,597
Debt Service	0	0	0
Capital Projects	0	269,362	(269,362)
Total	\$2,455,050	\$2,370,536	\$84,514

Note 5 – Deposits

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

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

	<u>2016</u>
Demand deposits	<u>\$563,146</u>
Total deposits	<u>563,146</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – 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 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 7 - 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 exposed to various risks of property and casualty losses, and injuries to employees.

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

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$36,000.

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

<u>2016 Contributions to PEP</u> <u>\$ 57,920</u>
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, 2016.

Note 9 - Postemployment Benefits

OPERS offers 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2016. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Street Loan Program	\$16,746	0%
State Fire Marshall Loan	\$28,735	0%
John Deere Lease	5,024	4.25%
Total	\$50,505	

The Ohio Public Works Commission (OPWC) loan 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 State Fire Marshall loan relates to the purchase of an EMS vehicle. This non-interest bearing loan was initiated in 2003, a total amount of \$95,932. The final maturity of the loan is on January 1, 2023.

Leases

The Village leases equipment through John Deere Financial under a noncancelable lease. The Village disbursed \$865 to pay lease costs for the year ended December 31, 2016.

Village of Lincoln Heights, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Amortization

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

Year Ending December 31:	John Deere Lease	OPWC Loan	State Fire Marshall Loan
2017	\$2,353	\$2,576	\$4,800
2018	2,353	2,576	4,800
2019	589	2,576	4,800
2020		2,576	4,800
2021		2,576	4,800
2022 - 2026		3,866	4,735
Total	\$5,295	\$16,746	\$28,735

Note 11 – Contingent Liabilities

The Village is a defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village’s financial condition.

Note 12 – 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



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, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2019 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 and we issued a qualified opinion because the Village was not reconciled for either year under audit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the 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 '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 2017-003 through 2017-005 and 2017-009 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 determination of financial statement amounts.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 through 2017-003 and 2017-006 through 2017-008.

Village's Response to Findings

The Village's response to the finding 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

February 20, 2019

VILLAGE OF LINCOLN HEIGHTS
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Finding for Recovery Partially Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit are to serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During the period of October 2016 through June 2018, we identified 478 transactions totaling \$60,592 made by the former Village Manager, Rebecca Hopkins using a Village credit card that had no supporting documentation.

We obtained supporting documentation from certain vendors for the unsupported transactions and determined the purchases made by Ms. Hopkins were for personal items and were not for a proper public purpose of the Village. These purchases included the following:

- 15 transactions totaling \$1,870 from Amazon for a gift card, clothing, toys, camera, and other miscellaneous items;
- Six transactions totaling \$2,962 from Duke Energy for gas and electricity at personal residences;
- Five transactions totaling \$2,333 from Verizon for cell phone services;
- Two transactions totaling \$894 from Target for two Nintendo gaming systems, games, gift card, and other miscellaneous items; and
- One transaction totaling \$2,652 from Just BlauMitWeis for car repairs on a vehicle.

Also, we identified purchases made by Ms. Hopkins while she was traveling out of state that were not related to the operations of the Village and were not for a proper public purpose of the Village:

- 33 transactions totaling \$6,880 for expenses related to a trip to New York City. Transactions included airfare for Ms. Hopkins, her friend, and a child; lodging, souvenirs and gifts, meals, and entertainment.
- 34 transactions totaling \$4,875 for expenses related to a trip to Florida. Transactions included airline baggage fees for Ms. Hopkins, her friend, and a child; lodging, rental car, meals, and entertainment.
- Eight transactions totaling \$1,897 for expenses related to a trip to Tennessee. Transactions included a rental car and a theme park (Dollywood);

Based on the information presented above, we determined the remaining 374 transactions totaling \$36,229 made by Ms. Hopkins with no supporting documentation were not related to the operations of the Village and did not serve a proper public purpose. Some of these purchases consisted of the following:

**FINDING NUMBER 2017-001
(Continued)**

- 74 transactions totaling \$2,932 at restaurants;
- 60 transactions totaling \$8,266 at grocery stores;
- 42 transactions totaling \$635 at the Apple Store and Apple Itunes;
- 16 transactions totaling \$2,388 at Walmart;
- One transaction totaling \$2,367 with Paypal;
- One transaction totaling \$1,039 at Kings Island;

In addition, the Village incurred interest charges totaling \$3,574 during the period of October 2016 through June 2018. Credit card payments made by the Village during this period were paid by checks signed by Ms. Hopkins or electronic payments made via phone by Ms. Hopkins.

Furthermore, we identified six non-payroll disbursements issued to Ms. Hopkins totaling \$5,994 that had no supporting documentation to verify the transaction was related to the operations of the Village and for a proper public purpose.

Lastly, **Resolution 2018-R-34 Resolution of Intent to Remove the Village Manager From Office Section II** states "The Village Manager is hereby suspended from duty without pay for a period of 30 days effective June 26, 2018". For the pay period from June 23, 2018 through July 6, 2018, Ms. Hopkins received pay for ten days of employment. However, Ms. Hopkins should have only received payment for two days of employment as the other eight days were days in which the Village suspended her without pay. Therefore, Ms. Hopkins received payment for eight days of employment to which she was not entitled totaling \$1,692.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public property converted or misappropriated and public monies illegally expended is hereby issued against Ms. Hopkins in the amounts of \$70,160 and \$1,692 respectively, and in favor of the Village of Lincoln Heights General Fund.

On February 21, 2017 and April 11, 2017, Ms. Hopkins made electronic payments from her personal account towards the credit card account of the Village covering her credit card purchases and interest expenses in the amount of \$9,051. As of the date of this report, Ms. Hopkins has an unpaid balance of \$62,801 related to this finding for recovery.

Officials' Response:

The Village of Lincoln Heights understands the importance of "Auditor of State Bulletin 2001-005 Expenditure of Public Funds/Proper Public Purpose and has adopted Resolution # 2019-R-6 the best practices process of using a public entities Credit Card. Resolution # 2019-R-6 Village of Lincoln Heights Credit Card Policy has reduced the number of credit cards issued and the rules of using the Village Credit Card.

Approved documentation will be submitted to the Finance Director to use the credit card and attached to the monthly voucher for payment. Credit Card Statements will be viewed by the Mayor.

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code § 149.351 provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code § 149.38 to 149.42.

The Village failed to locate the following records for the period of January 2016 through July 2018:

- Supporting documentation for 491 transactions on the Village credit card totaling \$66,191;
- Supporting documentation for six non-payroll disbursements issued to the Village Manager in the total amount of \$5,994;
- Pay rate authorization and record of pension participation was not provided for audit for 8 out of 23 (35%) employees tested;
- Hiring authorization and I-9 Employee Eligibility Verification was not provided for audit for 13 out of 23 (57%) employees tested;
- State, Federal and Local tax withholding forms for 17 of 23 (74%) employees tested was not provided for audit;
- 18 out of 23 (78%) were missing the Fraud Reporting form.
- Timesheets were not provided for audit for 3 of 14 (21%) timesheets tested in 2017;
- PERS remittance records for 2016 were not provided for audit;
- Termination dates were not maintained for 4 out of 17 or (24%) employees tested;

Alternative procedures were performed to obtain assurance that 13 credit card transactions totaling \$5,070 were for a proper public purpose. The remaining unsupported credit card transactions and the six non-payroll disbursements issued to the Village Manager were not related to the operations of the Village and did not serve a proper public purpose. A finding for recovery issued in favor of the Village is documented in this report related to those items.

Failure to maintain proper documentation could result in difficulties supporting the actions taken by the Village and noncompliance. The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule. Furthermore, a lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner.

The Village should formally approve employee pay rates in the minutes annually, maintain a personnel file for each employee, and exercise due care in maintaining the personnel files with all information related to hiring, salary, and withholdings as well as maintain all records required by law. Additionally, the Fiscal Officer should maintain supporting documentation for all transactions.

FINDING NUMBER 2017-002
(Continued)

Officials' Response:

Ohio Rev. Code 149.51 provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code 149.38 to 149.42.

- A requisition is required and must be approved before any purchases are made. The Village Manager will sign requisition with the exception of Council and the Manager; the Mayor will sign. After approval the Finance Director will issue a purchase order.
- All pay rates/scales will be authorized by Council through legislation in addition to the Annual Appropriation legislation
- All personnel files have been updated to include required hiring forms
- "Time Sheets" are filed in a secured location. A new system will be incorporated for better accountability of employees' hours.
- PERS reports are filed in a secured area
- Exit Interview will be incorporated as part of the process.

FINDING NUMBER 2017-003

Noncompliance/Material Weakness

Ohio Rev. Code 5705.10(C) states all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.

Furthermore, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" includes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, and should consist of monitoring, which is a process that assesses the quality of internal control performance over time.

Due to deficiencies in the Village's internal control policies and procedures, the Village improperly posted a \$17,000 negative receipt from tax levy money in the Police Fund and \$13,000 from the Fire Fund to the General Fund via a negative receipt in the levy funds and a receipt for charges for services in the General Fund for both years. This resulted in a \$30,000 overstatement of charges for services in the General Fund and \$17,000 understatement of tax revenues in the Police Fund and \$13,000 understatement of tax revenues in the Fire Fund. The negative receipts posted to the Police and Fire funds were posted twice thus understating revenues by \$60,000 in Special Revenue Funds.

We recommend that the Village use levy money as it was authorized to be used. If more money is being levied than what the Village needs for the services provided by the levy then the Village should go back to the voters to reduce the current levy.

**FINDING NUMBER 2017-003
(Continued)**

Officials' Response:

A previous Finance Consultant reported that the Police and Fire Levy Funds could be charged a service fee. Prior to this audit this has been a standard process. This fee has been eliminated from the Budget process.

FINDING NUMBER 2017-004

Material Weakness

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.

Furthermore, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" includes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, and should consist of monitoring, which is a process that assesses the quality of internal control performance over time.

We identified the following conditions related to the Village's financial statements at December 31, 2017:

- The Village improperly posted Revenue in Lieu of Taxes as Intergovernmental Revenue instead of Miscellaneous Revenue. This resulted in an overstatement of Intergovernmental Revenue and understatement of Miscellaneous Revenue of the following amounts in the General Fund by \$1,047, Police Pension Fund by \$17, Police Fund by \$725; and Fire Fund by \$600.
- The Village improperly posted \$588 of lease payments to contractual services disbursements in the Street Fund.
- Debt service related to lease payments in the amount of \$588 and an unrelated adjustment of \$588 were improperly posted to the General Fund and should have been posted to the Street Fund as debt service disbursements.
- The Village improperly posted a reduction of expenditure entry in error which resulted in General Fund expenditures being understated by \$12,166 in capital outlay and \$3,834 in contractual services.
- The Village improperly posted \$6,166 of debt service expenditures in the General Fund to capital outlay.
- The Village improperly posted \$11,750 of professional services and \$861 of capital outlay to debt service in the Street Fund.
- Collections from Greater Cincinnati Water Works (GCWW) for Rumpke charges were posted at net rather than gross resulting in an understatement of Charges for Services receipts of \$7,315 and an understatement of expenditures in the General Fund of \$7,315.

**FINDING NUMBER 2017-004
(Continued)**

- Expenditures presented in the annual financial report were understated by \$32,534 in the General Fund and by \$45,487 in Special Revenue Funds in comparison to the Village's accounting system.
- Capital Projects and Debt Service Funds' beginning and ending fund balances were improperly included in the Special Revenue Funds beginning and ending fund balances on the annual financial report thus understating Capital Projects and Debt Service funds' beginning and ending fund balances on the financial statements by \$22,725 and \$61, respectively, and overstating Special Revenue Funds beginning and ending fund balance by \$22,786.
- Special Revenue Funds beginning balances were omitted from the annual financial report which resulted in an understatement of restricted beginning and ending fund balance in Special Revenue Funds Police Computer Fund and Fire Fund of \$41,034 and \$25,242 respectively.
- The Village improperly reported a Permanent Fund on the annual financial report which was not supported by the accounting system. The Village has no Permanent Fund. Revenues and expenditures were overstated by \$38,098 and \$35,855 respectively.
- The Village did not include in the annual financial report \$38,099 of court fines collected and distributed to the Village from the Mayor's Court that were posted to General Fund Court Fines in the accounting system, thus understating Fines, Licenses, and Permits.
- The Village improperly reported the sale of fixed assets as Earnings on Investments resulting in an overstatement of Earnings on Investments and understatement of Sale of Assets in the amount of \$16,020.
- The Village improperly posted cable franchise fees to charges for services thus understating Fines, Licenses & Permits and overstating Charges for Services by \$22,929.
- Outstanding encumbrances totaling \$197 for General Fund were improperly reported as Committed Fund Balance and should have been reported as Assigned Fund Balance.
- The Village reported all Special Revenue balances as Unassigned. Special Revenue fund balances should be reported as Restricted.

We identified the following conditions related to the Village's financial statements at December 31, 2016:

- The Village improperly posted Revenue in Lieu of Taxes as Intergovernmental Revenue instead of Miscellaneous Revenue. This resulted in an overstatement of Intergovernmental Revenue and understatement of Miscellaneous Revenue of the following amounts in the General Fund by \$676; Police Pension Fund by \$11, Police Fund by \$387; Fire Fund by \$468; and Waste Fund by \$212.
- Homestead & Rollback was improperly posted between the Police Fund and Fire Fund resulting in a net overstatement of \$2,275 to the Fire Fund and understatement of \$2,275 to the Police Fund.
- The Village improperly posted cable franchise fees to charges for services thus understating Fines, Licenses & Permits and overstating Charges for Services by \$22,153.
- Capital Outlay expenditures in the amount of \$1,250 and Transportation expenditures in the amount of \$8,737 were improperly posted as debt service disbursements resulting in an overstatement of \$9,987 to debt service disbursements in the Street Fund.

FINDING NUMBER 2017-004
(Continued)

- The Village improperly posted Miscellaneous revenues as Intergovernmental Revenue in the Special Revenue Fund - LH Days Festival Fund of \$5,425 and Seeds of Hope Fund of \$93 understating miscellaneous revenues and overstating intergovernmental revenues by \$5,518.
- Ohio Public Works Commission (OPWC) on-behalf payments of \$246,862 were posted as Miscellaneous Revenue instead of Intergovernmental Revenue. Also, the Village had an additional on-behalf payment that was not booked as a revenue or expenditure thus understating revenues and expenditures by \$22,500.
- Expenditures presented in the annual financial report were understated by \$115,062 in the General Fund and \$7,952 in Special Revenue Funds in comparison to the Village's accounting system.
- The Village improperly reported a positive transfer out of \$54,000 in the General Fund resulting in an understatement of \$108,000 of other financing sources on the annual financial report.
- Outstanding Encumbrances totaling \$2,183 for General Fund were improperly reported as Restricted Fund Balance and should be reported as Assigned Fund Balance, resulting in the understatement of Assigned Fund Balance.
- The Village reported all Special Revenue Funds ending fund balances as Unassigned. Special Revenue Funds ending fund balances should be reported as Restricted.

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

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. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity 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 preparation of the financial statements to prevent errors and to assist in properly reflecting the Village's financial activity. The Village should refer to the Ohio Village Officer's Handbook for guidance when posting transactions. In addition, Village Council should adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

Officials' Response:

The Financial Statements for 2016 and 2017 were filed by the respective due dates. During the 2016 and 2017 audit it was reported that the Financial Statements were incomplete. Additional training from the State of Ohio Auditor's Local Division will be requested to accurately submit Financial Statements. The Village of Lincoln Heights will consider hiring additional personnel in the Finance Department to ensure segregation of duties.

FINDING NUMBER 2017-005

Material Weakness

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.

The Village Fiscal Officer 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. Several errors were noted due to the Village's insufficient internal controls over account reconciliations.

Supporting documentation was not provided for the Mayor's Court bank balance being greater than any open items due to the Village, State, County or returnable bonds by \$3,810 in 2017 and \$3,760 in 2016. We also noted the following conditions related to the Village's account records:

At December 31, 2017, the balance of the Village's bank account was \$48,869 higher than the reconciled Village total fund balances, which represents 8.2% of total fund balances, 14.9% of the General fund balance, 20.4% of the Special Revenue funds balance, 801% of the Debt Service fund balance and 195.7% of the Capital Projects fund balance at December 31, 2017. We were unable to obtain sufficient appropriate audit evidence identifying the funds which the unreconciled amount applied. Consequently, we were unable to determine an accurate book balance for the individual fund types.

At December 31, 2016, the balance of the Village's bank account was \$3,830 higher than the reconciled Village total fund balances, which represents 7% of total fund balances, 1.3% of the General fund balance, 1.7% of the Special Revenue funds balance, 62.8% of the Debt Service fund balance and 15.4% of the Capital Projects fund balance at December 31, 2016. We were unable to obtain sufficient appropriate audit evidence identifying the funds which the unreconciled amount applied. Consequently, we were unable to determine an accurate book balance for the individual fund types.

We noted the following errors in the December 2017 monthly reconciliation prepared by the Village:

- Check #47424 for \$8,000 was included as an outstanding check, however, this check was voided in the accounting system during December 2017.
- The December 2017 outstanding checks did not include those items still outstanding from the December 2016 reconciliation, resulting in \$4,361 of reconciling items being missed.
- Payroll benefits totaling \$2,621 were included on the village reconciliation however we were unable to agree those amounts to any bank activity in January, February or March of 2018.

We noted the following errors in the December 2016 monthly reconciliation prepared by the Village:

- \$1,459 was listed as an outstanding PERS payment that was booked in December 2016 and paid in January 2017, however, the January 2017 statement included on January 4, 2017 a payment to PERS for \$3,773, not \$1,459, resulting in a variance of \$2,314.
- A manual check in the amount of \$1,185 with no check number and no further information provided was listed as a reconciling item. A review of the accounting system and accounting records provided no evidence this check was posted and cleared the bank.

FINDING NUMBER 2017-005
(Continued)

- Several outstanding checks were removed from the December outstanding checklist even though the checks had not cleared the bank and the expense was still posted in the accounting system. These reconciling items were included on previous months' reconciliations. This included the following checks: #46563 for \$102; #46065 for \$173.92; and #46359 for \$366.44.
- The Homestead & Rollback distribution for the 2nd half settlement in the amount of \$19,348 was listed as a reconciling item. The Village posted the receipt for General Fund 2nd Half Homestead and Rollback in the amount of \$19,018 on October 31, 2016. We were unable to determine what the remaining \$330 related to and no support was provided for this amount.

Once known factors were considered, the updated variances at December 31, 2017 and December 31, 2016, showed the bank balance was \$48,869 and \$3,830 respectively, more than the Village's fund balance recorded in the accounting system and on the adjusted financial statements. We were unable to obtain sufficient appropriate audit evidence identifying the funds which the unreconciled amount applied. Consequently, we were unable to determine an accurate book balance for the individual fund types and resulted in a modified audit opinion. Therefore, no adjustment was posted to the accounting system or financial statements.

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 Village Fiscal Officer 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:

The Financial Statements for 2016 and 2017 were filed by the respective due dates. During the 2016 and 2017 audit it was reported that the Financial Statements were incomplete. Additional training from the State of Ohio Auditor's Local Division will be requested to accurately submit Financial Statements. The Village of Lincoln Heights will consider hiring additional personnel in the Finance Department to ensure segregation of duties.

FINDING NUMBER 2017-006

Noncompliance

Ohio Admin. Code § 117-2-02(C)(1) states all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. This also means the accounting system should report appropriations, encumbrances, unencumbered cash balances, and estimated receipts, and should compare budgetary data to actual results.

**FINDING NUMBER 2017-006
(Continued)**

Furthermore, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" includes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, and should consist of monitoring, which is a process that assesses the quality of internal control performance over time.

The Village failed to accurately post estimated resources to the accounting system due to insufficient internal controls as follows:

Fund	Estimated Receipts Per Certificate of Estimated Resources	Amount Posted to Accounting System	Variance
General Fund - 2016	\$1,327,006	\$1,265,100	\$61,906
Street Maintenance & Repair - 2016	\$98,196	\$95,000	3,196
Permissive Tax Fund - 2016	\$17,836	\$16,000	1,836
Summer Youth Activities Fund - 2016	\$0	\$1,400	(1,400)
Indigent Drivers Alcohol Fund - 2016	\$0	\$100	(100)
FBI Drug Forfeitures Fund - 2016	\$0	\$400	(400)
Enforcement & Education Fund - 2016	\$0	\$100	(100)
Dare Fund - 2016	\$0	\$2,500	(2,500)
Police Pension Fund - 2016	\$5,777	\$6,212	(435)
Police Fund - 2016	\$236,574	\$260,001	(23,427)
Fire Fund - 2016	\$191,586	\$215,000	(23,414)
Lincoln Heights Days Festival Fund - 2016	\$5,425	\$7,000	(1,575)
Seeds of Hope Fund - 2016	\$93	\$500	(407)
Drug Fund -2016	\$0	\$1,000	(1,000)
Police Computer Fund – 2016	\$1,443	\$20,000	(18,557)
Waste Levy Fund - 2016	\$175,473	\$172,000	3,473
Capital Improvement Cap 817 Fund – 2016	\$246,862	\$0	\$246,862
General Fund – 2017	\$1,564,640	\$1,589,477	(\$24,837)
Drug Fund - 2017	\$8,392	\$8,932	(\$540)

Failure to accurately record the official estimated receipts in the accounting system may result in the inability of management and Council to monitor the activity and budgetary status of the Village, which could result in overspending.

We recommend the Village accurately record the official estimated receipts and appropriations, along with any amendments, in the accounting system so the Village can monitor the financial activity and to properly reflect those year-end amounts in the budgetary statements.

**FINDING NUMBER 2017-006
 (Continued)**

Officials' Response:

The Village of Lincoln Heights does and will continue to monitor estimated revenue and expenditures on a monthly basis. Any necessary appropriations transfers or adjustments will be discussed in the monthly Finance Committee meeting and approved by full Council at the next Regular Council meeting. The Amended Certificate of Estimated Resources will be submitted to Hamilton County Auditors at year-end, to recognize unrealized budgetary receipts and remaining uncommitted appropriations balances.

FINDING NUMBER 2017-007

Noncompliance

Ohio Rev. Code § 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Furthermore, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" includes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, and should consist of monitoring, which is a process that assesses the quality of internal control performance over time.

Due to deficiencies in the Village's internal control policies and procedures, at December 31, 2016 and 2017, appropriations exceeded estimated resources as noted:

Fund	Total Resources	Appropriations	Variance
General Fund – 2016	\$1,600,289	\$1,612,691	(\$12,402)
Enforcement & Education – 2016	\$0	\$100	(\$100)
Police Levy Fund – 2016	\$238,800	\$260,000	(\$21,200)
Fire Levy Fund – 2016	\$203,667	\$215,000	(\$11,333)
LH Days Festival Fund – 2016	\$6,274	\$7,000	(\$726)
Seeds of Hope Fund - 2016	\$198	\$500	(\$302)
Summer Youth Activities - 2017	\$1,864	\$2,500	\$(636)

Failure to maintain appropriations within estimated resources could result in negative fund balances. The Village should ensure appropriations (including prior year carryover appropriations) do not exceed estimated resources.

Officials' Response:

The Finance Director will clarify with the State Auditor's Office if the carryover fund balances should be included before submitting the total estimated resources. The Finance Director will prepare and submit the Certificate of Estimated Resources.

FINDING NUMBER 2017-008

Noncompliance

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit to expend money unless it has been appropriated.

Furthermore, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" includes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, and should consist of monitoring, which is a process that assesses the quality of internal control performance over time.

Due to deficiencies in the Village's internal control policies and procedures, at December 31, 2016 and 2017 the Village had expenditures in excess of appropriations in the following funds:

Fund	Total Appropriations	Total Expenditures	Variance
Permissive Motor Vehicle Fund – 2016	\$16,000	\$17,313	(\$1,313)
Seeds of Hope – 2016	\$500	\$750	(\$250)
Capital Improvement Cap 817 Fund – 2016	\$0	\$246,862	(\$246,862)
Policy Levy Fund – 2017	\$260,000	\$280,306	(\$20,306)
Waste Levy Fund – 2017	\$0	\$27,628	(\$27,628)
Capital Improvement Cap 817 Fund – 2017	\$0	\$46,522	(46,522)

Expenditures in excess of appropriations can result in overspending and deficit fund balances.

The Village should routinely compare actual expenditures to current appropriations and amend appropriations when needed.

Officials' Response:

Capital Improvement Capital Fund "memo" receipts and expenditures were posted. When received the Finance Director will submit to Council as an amendment to the appropriations and re-certify estimated resources. The Village of Lincoln Heights will follow the above code.

FINDING NUMBER 2017-009

Material Weakness

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.

FINDING NUMBER 2017-009
(Continued)

The budgetary activities presented by the Village in the notes to the financial statements should reflect actual revenues and actual expenditures plus year end outstanding encumbrances as reported in the financial statements. However, in 2017 and 2016, the actual expenditures plus year end outstanding encumbrances in the financial statements did not agree to the budgetary expenditures presented in the notes to the financial statements as follows:

Funds	Expenditures plus Outstanding Encumbrances	Budgetary Expenditures Presented in Notes	Variance
General Fund – 2017	\$1,578,994	\$1,556,855	\$22,139
Special Revenue – 2017	\$626,089	\$630,283	(\$4,194)
Debt Service – 2017	\$0	\$17,492	(\$17,492)
Capital Projects – 2017	\$46,522	\$11,495	\$35,027
General Fund – 2016	\$1,397,412	\$1,284,555	\$112,857
Special Revenue – 2016	\$703,762	\$971,264	(\$267,502)
Debt Service – 2016	\$269,362	\$0	\$269,362

Actual Revenues did not agree to revenues posted in the budgetary presentation as follows:

Funds	Revenues	Budgetary Revenues Presented in Notes	Variance
General Fund – 2017	\$1,615,667	\$1,640,975	(\$25,308)
Special Revenue – 2017	\$638,296	\$652,296	(\$14,000)
Capital Projects – 2017	\$46,522	\$0	\$46,522
General Fund – 2016	\$1,299,067	\$1,331,184	(\$32,117)
Special Revenue – 2016	\$795,522	\$1,010,267	(\$214,745)
Capital Projects – 2016	\$269,362	\$0	\$269,362

The budgetary note should accurately reflect the appropriations adopted by Council as well as the amount of revenues certified on the Certificate of Estimated Resources. We noted the following discrepancies between approved Appropriations and Appropriations in the Budgetary Note:

Funds	Final Appropriation Resolution	Appropriation Authority per Budgetary Note	Variance
Special Revenue – 2017	\$641,100	\$602,113	\$38,987
Capital Project – 2017	\$0	\$17,492	(\$17,492)
Debt Service – 2017	\$0	\$11,495	(\$11,495)

We noted the following discrepancies between the Certificate of Estimated Revenues and Budgeted Receipts in the Budgetary Note:

Funds	Certificate of Estimated Resources	Budgeted Receipts per Budgetary Note	Variance
General Fund – 2017	\$1,564,640	\$1,589,477	\$24,837
Special Revenue – 2017	\$640,151	\$640,691	\$540
Debt Service – 2017	\$1	\$0	(\$1)
Capital Projects – 2017	\$0	\$46,522	\$46,522
General Fund – 2016	\$1,327,006	\$1,265,100	(\$61,906)
Special Revenue – 2016	\$763,405	\$823,213	\$59,808
Capital Projects – 2016	\$246,862	\$0	(\$246,862)

FINDING NUMBER 2017-009
(Continued)

Failure to present budgetary note disclosures that agree with the financial statement revenues and expenditures as well as approved budgetary appropriations and estimated revenues will result in an inaccurate presentation of the budgetary activities.

The Village should present actual revenues and expenditures plus outstanding encumbrances as well as the approved final appropriations and estimated revenues in the budgetary note to the financial statements.

Officials' Response:

The Finance Consultant will prepare the Annual financial statements and notes. After Council's review and approval it will be entered into to the State of Ohio Auditor's Hinkle System.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	FFR for Antwan Sparks for garnishments requiring repayment.	Not Corrected	
2015-002	Accounting system errors and reconciling issues related to both Village and Mayor's Court	Partially Corrected	Accounting system errors repeat as Finding Number 2017-004. Reconciling issues repeat as 2017-005.

*The Village of Lincoln Heights
Celebrating 70 Years in 2016
~1946~*

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LINCOLN HEIGHTS

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2019**