



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY  
DECEMBER 31, 2021 AND 2020

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Audit of the Financial Statements***

#### ***Unmodified and Adverse Opinions***

We have audited the financial statements of the Village of Lincoln Heights, Hamilton County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2021 and 2020, or the changes in financial position thereof for the years then ended.

#### ***Basis for Opinions***

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

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

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

***Emphasis of Matter***

As discussed in Note 13 to the financial statements for 2021 and 2020, respectively, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
November 29, 2022

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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, 2021*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$351,086	\$772,206	\$0	\$1,123,292
Municipal Income Tax	798,541	0	0	798,541
Intergovernmental	184,944	398,276	634,250	1,217,470
Charges for Services	174,360	0	0	174,360
Fines, Licenses and Permits	146,270	2,204	0	148,474
Earnings on Investments	10	0	0	10
Miscellaneous	52,027	2,292	0	54,319
<i>Total Cash Receipts</i>	<u>1,707,238</u>	<u>1,174,978</u>	<u>634,250</u>	<u>3,516,466</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	524,573	690,285	0	1,214,858
Community Environment	35,622	8,080	0	43,702
Transportation	75,570	113,962	0	189,532
General Government	992,902	138,792	0	1,131,694
Capital Outlay	79,330	9,967	634,250	723,547
Debt Service:				
Principal Retirement	0	68,497	0	68,497
Interest and Fiscal Charges	0	3,585	0	3,585
<i>Total Cash Disbursements</i>	<u>1,707,997</u>	<u>1,033,168</u>	<u>634,250</u>	<u>3,375,415</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(759)</u>	<u>141,810</u>	<u>0</u>	<u>141,051</u>
<i>Fund Cash Balances, January 1</i>	<u>880,342</u>	<u>655,745</u>	<u>2,240</u>	<u>1,538,327</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$879,583</u></u>	<u><u>\$797,555</u></u>	<u><u>\$2,240</u></u>	<u><u>\$1,679,378</u></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 Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2021*

	Fiduciary Fund Types	Totals
	Custodial	(Memorandum Only)
<b>Operating Cash Receipts</b>		
Fines, Licenses and Permits	\$47,029	\$47,029
<i>Total Operating Cash Receipts</i>	47,029	47,029
<b>Operating Cash Disbursements</b>		
Distributions to Other Governments	6,247	6,247
Distributions to Other Funds (Primary Gov't)	40,782	40,782
<i>Total Operating Cash Disbursements</i>	47,029	47,029
<i>Operating Income (Loss)</i>	0	0
<i>Fund Cash Balances, January 1</i>	4,019	4,019
<i>Fund Cash Balances, December 31</i>	\$4,019	\$4,019

*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, 2021*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lincoln Heights, Hamilton County, Ohio (the Village) as a body corporate and politic. A publicly elected seven-member Council directs the Village. The Village provides road maintenance, fire, police and basic life support services. The Village contracts with the Hamilton County Sheriff's department to provide security of persons and property. The Village contracts with the Village of Woodlawn to provide advanced life support services.

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

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

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

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of 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:

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***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.

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

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

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

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

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

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

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-203 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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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 117-203 (C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2021 budgetary activity appears in Note 3.

***Deposits***

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

***Capital Assets***

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

***Accumulated Leave***

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

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***Fund Balance***

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

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

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

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,705,227	\$1,707,238	\$2,011
Special Revenue	1,344,461	1,174,978	(169,483)
Capital Projects	149,838	634,250	484,412
Fiduciary	0	47,029	47,029
Total	\$3,199,526	\$3,563,495	\$363,969

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,995,565	\$1,707,997	\$287,568
Special Revenue	1,167,701	1,037,065	130,636
Capital Projects	256,254	149,838	106,416
Fiduciary	0	47,029	(47,029)
Total	\$3,419,520	\$2,941,929	\$477,591

**Note 4– Deposits**

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

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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	2021
Demand deposits	<u>\$1,683,397</u>
Total deposits	<u>1,683,397</u>

**Deposits**

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

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.



**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 6 - Risk Management**

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

**Risk Pool Membership**

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

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

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

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

**Note 7 - Defined Benefit Pension Plans**

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 8 - Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member directed Plan was 2.0 percent during calendar year 2021.

**Note 9 – Debt**

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CB12S Dixie Court	\$54,915	0%
OPWC CB12V Leggett Street	\$180,090	0%
John Deere Backhoe	\$37,990	3.75%
John Deere Skid Steer	\$28,729	4.20%
Ford F-550 Snow Vehicle	\$47,652	5.99%
	<u>\$349,376</u>	

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

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

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

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

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

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***Amortization***

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

Year Ending December 31:	OPWC Dixie Court CB12S	OPWC Leggett Street CB12V	John Deere Backhoe	John Deere Skid Steer	Ford F-550 Snow Vehicle
2022	3,432	9,478	20,428	10,416	19,324
2023	3,432	9,478	20,428	10,416	19,324
2024	3,432	9,478	0	10,416	19,324
2025	3,432	9,478	0	0	0
2026	3,432	9,478	0	0	0
2027-2031	17,161	47,392	0	0	0
2032-2036	17,161	47,392	0	0	0
2037-2041	3,432	37,914	0	0	0
Total	54,914	180,088	40,856	31,248	57,972

**Note 10– Contingent Liabilities**

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

**Note 11– Public Entity Risk Pool**

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

**Note 12 - Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the nonexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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Outstanding Encumbrances  
Special Revenue Funds - \$3,896

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

**Note 13 - COVID-19**

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

**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, 2020*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$354,618	\$779,415	\$0	\$1,134,033
Municipal Income Tax	869,665	0	0	869,665
Intergovernmental	171,692	765,950	0	937,642
Charges for Services	188,522	0	0	188,522
Fines, Licenses and Permits	170,100	1,666	0	171,766
Earnings on Investments	10,314	0	0	10,314
Miscellaneous	61,874	3,124	0	64,998
<i>Total Cash Receipts</i>	<u>1,826,785</u>	<u>1,550,155</u>	<u>0</u>	<u>3,376,940</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	296,484	684,408	0	980,892
Leisure Time Activities	500		0	500
Community Environment	375	18,497	0	18,872
Transportation	151,158	93,149	0	244,307
General Government	879,707	437,487	0	1,317,194
Capital Outlay	56,727	29,126	0	85,853
Debt Service:				
Principal Retirement	0	47,490	0	47,490
Interest and Fiscal Charges	0	2,982	0	2,982
<i>Total Cash Disbursements</i>	<u>1,384,951</u>	<u>1,313,139</u>	<u>0</u>	<u>2,698,090</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>441,834</u>	<u>237,016</u>	<u>0</u>	<u>678,850</u>
<i>Fund Cash Balances, January 1 - Restated</i>	<u>438,508</u>	<u>418,729</u>	<u>2,240</u>	<u>859,477</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$880,342</u></u>	<u><u>\$655,745</u></u>	<u><u>\$2,240</u></u>	<u><u>\$1,538,327</u></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 Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2020*

	Fiduciary Fund Types	Totals
	Custodial	(Memorandum Only)
<b>Operating Cash Receipts</b>		
Fines, Licenses and Permits	\$33,006	\$33,006
<i>Total Operating Cash Receipts</i>	33,006	33,006
<b>Operating Cash Disbursements</b>		
Distributions to Other Governments	4,485	4,485
Distributions to Other Funds (Primary Gov't)	28,521	28,521
<i>Total Operating Cash Disbursements</i>	33,006	33,006
<i>Operating Income (Loss)</i>	0	0
<i>Fund Cash Balances, January 1</i>	4,019	4,019
<i>Fund Cash Balances, December 31</i>	\$4,019	\$4,019

*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, 2020*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lincoln Heights, Hamilton County, Ohio (the Village) as a body corporate and politic. A publicly elected seven-member Council directs the Village. The Village provides road maintenance, fire, police and basic life support services. The Village contracts with the Hamilton County Sheriff's department to provide security of persons and property. The Village contracts with the Village of Woodlawn to provide fire and advanced life support services.

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

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

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

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary 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.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**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: In 2020 the Village had no Capital projects under construction.

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

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

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

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

***Basis of Accounting***

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

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not



**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2020 budgetary activity appears in Note 3.

***Deposits***

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

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,809,007	\$1,826,785	\$17,778
Special Revenue	1,549,654	1,550,157	503
Capital Projects	22,000		(22,000)
Fiduciary	0	33,106	33,106
Total	\$3,380,661	\$3,410,048	\$29,387

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,717,814	\$1,433,691	\$284,123
Special Revenue	1,523,570	1,403,628	119,942
Capital Projects	22,000	0	22,000
Fiduciary	0	33,106	(33,106)
Total	\$3,263,384	\$2,870,425	\$392,959

**Note 4– Deposits**

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

	2020
Demand deposits	\$1,542,346
Total deposits	1,542,346

**Deposits**

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

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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

***Income Taxes***

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 6 - Risk Management**

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

**Risk Pool Membership.**

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

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

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

	<u>2020</u>
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System*** Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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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, 2020.

**Note 8 - Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member directed Plan was 2.0 percent during calendar year 2020.

**Note 9 – Debt**

Debt outstanding at December 31, 2020 was as follows:

	Principal	Interest Rate
OPWC CB12S Dixie Court	\$58,347	0%
OPWC CB12V Leggett Street	\$189,568	0%
John Deere Backhoe	\$56,767	3.750%
International Hotbox	\$8,676	3.715%
John Deere Skid Steer	\$37,537	4.200%
Ford Motor Credit	\$66,977	5.990%
	\$417,872	

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

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

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

In July 2019 the Village entered into a purchase contract with Kansas State Bank to purchase a 2019 KM International Hot Box reclaimer with three annual payments at an interest rate of

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

3.715%. With the final payment due in 2021.

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

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

**Amortization**

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

Year Ending December 31:	OPWC Dixie Court CB12S	OPWC Leggett Street CB12V	International Hotbox	John Deere Backhoe	John Deere Skid Steer	Ford F-550 Snow
2021	3,432	9,478	9,004	20,428	10,416	19,324
2022	3,432	9,478	0	20,428	10,416	19,324
2023	3,432	9,478	0	20,428	10,416	19,324
2024	3,432	9,478	0	0	10,416	19,324
2025	3,432	9,478	0	0	0	0
2026-2030	17,161	47,392	0	0	0	0
2031-2035	17,161	47,392	0	0	0	0
2036-2040	6,864	47,392	0	0	0	0
Total	\$58,347	\$189,568	\$9,004	\$61,284	\$41,664	\$77,296

**Note 10—Public Entity Risk Pool**

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

**Note 11 - Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the nonexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Outstanding Encumbrances  
 General Fund - \$48,741  
 Special Revenue Funds - \$90,489

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

**Note 12 - Restatement of Beginning Balances**

The 2019 ending balances per the audited financial statements require restatement based on adjustments related to 2018 and 2019. The following Restatements are reported in 2020:

	2019 Ending Balances	Beginning Balance Adjustment	Restated Beginning Balance
General Fund	316,749	121,759	438,508
Special Revenue Funds	429,147	(10,415)	418,732
Capital Projects Funds	2,240	0	2,240
	\$748,136	\$111,344	\$859,480

**Note 13 - COVID-19**

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

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements of the Village of Lincoln Heights, Hamilton County and have issued our report thereon dated November 29, 2022, wherein we noted the Village followed financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03 (C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

### ***Report on Internal Control Over Financial Reporting***

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 through 2021-003 that we consider to be material weaknesses.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-004.

***Village's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
November 29, 2022

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2021-001**

**Material Weakness – Financial Reporting**

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

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

- The Village did not report the Mayor's Court cash fund balances, receipts and disbursements in the 2020 and 2021 financial statements. For 2020, the Mayor's Court Custodial Fund had Beginning Fund Balance of \$4,019, Fines, Licenses and Permits for Distribution additions of \$33,006, Distributions to Other Governments of \$4,485, Distributions to Other Funds (Primary Gov't) of \$28,521, and Ending Fund Balance of \$4,019. For 2021, the Mayor's Court Custodial Fund had Beginning Fund Balance of \$4,019, Fines, Licenses and Permits for Distribution additions of \$47,029, Distributions to Other Governments of \$6,247, Distributions to Other Funds (Primary Gov't) of \$40,782, and Ending Fund Balance of \$4,019.
- Beginning and Ending Fund Balance in the General Fund and Special Revenue Funds was understated by \$447,137 and \$410,098, respectively, in 2021.
- Beginning and Ending Fund Balance in the Special Revenue Funds was understated by \$410,098 in 2020.
- Intergovernmental receipts and Capital Outlay disbursements, each totaling \$149,838, were incorrectly reported in the Special Revenue Funds rather than in the Capital Projects Funds in 2021.
- Intergovernmental receipts and Capital Outlay disbursements, each totaling \$484,412 in the Capital Projects Funds, were not recorded for the Ohio Public Works Commission in 2021.
- Intergovernmental receipts in the Special Revenue Funds was overstated by \$59,000 in 2020.
- In 2020 the Village restated beginning fund balances for the General Fund and Special Revenue Funds by \$121,759 and (\$10,411), respectively, in the accounting system but failed to report the restatement in the financial statements and footnotes.
- The Village incorrectly reported Fines, Licenses and Permits receipts totaling \$1,666 and Security of Persons and Property disbursements totaling \$9,739 for the Police Computer Fund in the Custodial Fund in 2020 rather than in the Special Revenue Funds.
- The Village incorrectly reported the Memorial Park Project Fund in the Special Revenue Funds in 2020 rather than in the Capital Projects Funds. For 2020, the Memorial Park Project Fund had Beginning Fund Balance and Ending Fund Balance of \$2,240 each.

**FINDING 2021-001  
(Continued)**

- The total carrying amount of deposits in the 2020 and 2021 financial statement footnotes was incorrectly reported as \$680,035,830 for both years.
- The OPWC Dixie Court Loan and OPWC Leggett & Schumard Loan with outstanding balances of \$54,915 and \$180,090, respectively, were not included in the 2021 financial statement footnotes.
- The John Deere Skid Steer Loader Lease, John Deere Backhoe Lease, and Ford F-550 Snow Truck Lease outstanding balances were overstated by \$8,088, \$54,738, and \$38,104, respectively, in the 2021 financial statement footnotes.
- The International Hotbox Lease was paid in full during 2021 but incorrectly included in the 2021 financial statement footnotes as having an outstanding balance of \$26,041.
- The John Deere Backhoe Lease, OPWC Dixie Court Loan, and International Hotbox Lease outstanding balances were overstated by \$4,870, \$3,432 and \$17,365, respectively, in the 2020 financial statement footnotes.
- Descriptions of each outstanding debt were not included in the 2020 and 2021 financial statement footnotes.
- The Amortization Schedule in the 2020 and 2021 financial statement footnotes incorrectly included the current year.
- Interest and Fiscal Charges in the Special Revenue Funds totaling \$2,982 was incorrectly recorded to Principal Retirement in 2020.

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

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

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

**Official's Response:**

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

**FINDING 2021-002**

**Material Weakness – Cash Reconciliation Process Errors**

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

**FINDING 2021-002  
(Continued)**

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

Monthly bank to book reconciliations were not accurately prepared or reviewed each month of 2020 and 2021. The Village has had a reconciled bank balance exceeding total fund balance recorded in the accounting system for several years due to unknown factors. The unidentified variance totaled \$101,025 at December 31, 2020 and \$79,440 at December 31, 2021. The Auditor of State's Local Government Services Division was contracted by the Village in 2021 to perform a proof of cash for the years 2018, 2019, and 2020. Restatements of the Village's beginning fund balances as of January 1, 2020 were required to correct these variances.

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

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

**Official's Response:**

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

**FINDING 2021-003**

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

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

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

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

**FINDING 2021-003  
 (Continued)**

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

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

At December 31, 2021 and 2020, the budgeted amounts posted to the Village's accounting ledgers varied from the appropriations approved by Council as follows:

2021 Funds	Per Appropriation Resolutions	Amount Posted to System	Variance
General Fund (101)	\$1,946,824	\$2,001,565	\$54,741
American Rescue Plan Act Fund (324)	0	175,406	175,406
HB 481 CARES Act Local Fund (326)	0	108,215	108,215

2020 Funds	Per Appropriation Resolutions	Amount Posted to System	Variance
General Fund (101)	\$1,717,814	\$1,759,724	\$41,910
Street Maintenance and Repair Fund (201)	124,600	132,860	8,260
Fire Fund (215)	264,600	270,578	5,978

At December 31, 2021 and 2020, the budgeted amounts posted to the Village's accounting ledgers varied from the Certificate of Estimated Resources certified by the County Budget Commission as follows:

2021 Funds	Per Certificate of Estimated Resources	Amount Posted to System	Variance
CARES Act Fund (325)	\$169,483	\$0	(\$169,483)

2020 Funds	Per Certificate of Estimated Resources	Amount Posted to System	Variance
General Fund (101)	\$1,809,007	\$1,826,785	\$17,778
Street Maintenance and Repair Fund (201)	148,329	156,288	7,959
CDBG Fund (217)	26,319	30,000	3,681

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

- Budgeted Receipts for the General Fund were overstated by \$17,778 for 2020.
- Budgeted Receipts for the Special Revenue Funds were understated by \$19,646 for 2021 and overstated by \$32,666 for 2020.
- Budgeted Receipts for the Capital Projects Funds were understated by \$149,838 for 2021.
- Appropriation Authority for the General Fund was understated by \$42,741 and \$1,717,814 for 2021 and 2020, respectively.

**FINDING 2021-003  
(Continued)**

- Appropriation Authority for the Special Revenue Funds was overstated by \$361,247 for 2021 and understated by \$1,523,570 for 2020.
- Appropriation Authority for the Capital Projects Funds was understated by \$256,254 and \$22,000 for 2021 and 2020, respectively.

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

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

**Officials' Response:**

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

**FINDING 2021-004**

**Noncompliance/Finding for Recovery – Leave Payouts**

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

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

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

The following conditions were identified:

- Garcia Carter terminated service with the Village in March 2021. The Village issued a direct deposit payment to Mr. Carter on April 1, 2021 that incorrectly included 120.8 unused hours of sick leave at his hourly rate of \$14.00. Therefore, Mr. Carter was overpaid \$1,691.
- Jason Perry terminated service with the Village in March 2021. The Village issued a direct deposit payment to Mr. Perry on April 1, 2021 that incorrectly included 83.2 unused hours of sick leave and 0.9 unused hours of vacation leave accumulated above his 80 hours of vacation leave credited for 2021 at his hourly rate of \$15.50. Therefore, Mr. Perry was overpaid \$1,303.
- Jamal Willis terminated service with the Village in March 2021. The Village issued a direct deposit payment to Mr. Willis on March 18, 2021 that included 58.9 unused hours of vacation leave at an incorrect hourly rate of \$32.00 rather than his approved hourly rate of \$16.00, and incorrectly included 76.8 unused hours of sick leave at an incorrect hourly rate of \$32.00. Therefore, Mr. Willis was overpaid \$3,400.

**FINDING 2021-004  
(Continued)**

- Donna Pope terminated service with the Village in April 2022. The Village issued a direct deposit payment to Ms. Pope on May 10, 2022 that incorrectly included 296.6 unused hours of sick leave and 49.2 unused hours of vacation leave accumulated above her 80 hours of vacation leave credited for 2022 at her hourly rate of \$28.97. Therefore, Ms. Pope was overpaid \$10,017.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Garcia Carter, Jason Perry, Jamal Willis, and Donna Pope in the amounts of \$1,691, \$1,303, \$3,400, and \$10,017, respectively, and in favor of the Village of Lincoln Heights' General Fund in the amount of \$16,411.

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

The disbursements to Mr. Carter, Mr. Perry, and Mr. Willis were paid by the former Finance Director, Donna Pope. Ms. Pope and her bonding company, the Cincinnati Insurance Company, are jointly and severally liable in the amount of \$6,394 and in favor of the Village of Lincoln Heights General Fund.

**Officials' Response:**

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

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

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

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

**AOS Conclusion:**

The January 30, 2015 Employee Handbook referred to above in the Officials' Response was revised by a former Village Manager and was not approved by Village Council. §§ 37.13(C)(3)(b) and 37.13(D)(3)(b) of the Village's Personnel Policies and Procedures Manual cited in the Noncompliance/Finding for Recovery above were approved by Village Council in Ordinance No. 2010-O-2. Policies and procedures used for payout of leave upon separation should be approved by Village Council. The above Finding for Recovery is based on the Village Council approved Ordinance.



## 2. OTHER – FINDINGS FOR RECOVERY

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

### FINDING 2021-005

#### Finding for Recovery – Interest

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

The Village incurred and paid interest charges totaling \$276 in 2020 and \$507 in 2021 for not paying the account balance in full by the due date on its credit card account statements. The former Finance Director, Donna Pope, was responsible for the timely payment of these bills.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Donna Pope and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the amount of \$783, and in favor of the Village of Lincoln Heights' General Fund in the amount of \$783.

#### Officials' Response:

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

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2021 AND 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Financial reporting and posting errors	Not Corrected	Reissued as Finding 2021-001
2019-002	Bank Reconciliations with unidentified reconciling variances between bank and book balances	Not Corrected	Reissued as Finding 2021-002
2019-003	Budgetary amounts in CMI not agreeing to official budgetary documents	Not Corrected	Reissued as Finding 2021-003
2019-004	Finding for Recovery – Credit Cards	Not Corrected	Finding not repaid
2019-005	Finding for Recovery – Interest	Not Corrected	Finding not repaid
2019-006	Finding for Recovery – Leave Payout	Not Corrected	Finding not repaid



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF LINCOLN HEIGHTS**

**HAMILTON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/13/2022**

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

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