



Dave Yost • Auditor of State



VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Lincoln Heights  
Hamilton County  
1201 Steffens Avenue  
Lincoln Heights, 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, 2015 and 2014.

### ***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 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 1B 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.

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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, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Basis for Additional Opinion Qualification***

Other non-operating cash receipts are reported at \$137,117 for the year ended December 31, 2014 which is 100 percent of Agency Fund receipts for the year ended December 31, 2014. We were unable to obtain sufficient appropriate audit evidence supporting the completeness and accuracy of the amounts recorded as other non-operating cash receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Lincoln Heights, Hamilton County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 1B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 8, 2016

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**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$315,497	\$517,245	\$0	\$0	\$832,742
Municipal Income Tax	452,353	0	0	0	452,353
Intergovernmental	177,223	207,716	0	0	384,939
Charges for Services	200,137	10,386	0	0	210,523
Fines, Licenses and Permits	89,689	0	0	0	89,689
Earnings on Investments	800	0	0	0	800
Miscellaneous	110,822	3,072	0	0	113,894
<i>Total Cash Receipts</i>	<u>1,346,521</u>	<u>738,419</u>	<u>0</u>	<u>0</u>	<u>2,084,940</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	590,254	540,262	0	0	1,130,516
Public Health Services	1,458	150	0	0	1,608
Leisure Time Activities	0	7,334	0	0	7,334
Community Environment	29,051	37	0	0	29,088
Basic Utility Services	0	146,266	0	0	146,266
Transportation	0	127,450	0	0	127,450
General Government	742,496	0	0	0	742,496
Debt Service:					
Principal Retirement	4,800	2,576	0	0	7,376
<i>Total Cash Disbursements</i>	<u>1,368,059</u>	<u>824,075</u>	<u>0</u>	<u>0</u>	<u>2,192,134</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,538)</u>	<u>(85,656)</u>	<u>0</u>	<u>0</u>	<u>(107,194)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	81,912	0	0	81,912
Transfers Out	(81,912)	0	0	0	(81,912)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(81,912)</u>	<u>81,912</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(103,450)</u>	<u>(3,744)</u>	<u>0</u>	<u>0</u>	<u>(107,194)</u>
<i>Fund Cash Balances, January 1</i>	<u>492,815</u>	<u>139,493</u>	<u>61</u>	<u>24,865</u>	<u>657,234</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	127,684	61	24,865	152,610
Committed	120,469	8,065	0	0	128,534
Unassigned (Deficit)	268,896	0	0	0	268,896
<i>Fund Cash Balances, December 31</i>	<u>\$389,365</u>	<u>\$135,749</u>	<u>\$61</u>	<u>\$24,865</u>	<u>\$550,040</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Agency</u>
<b>Non-Operating Cash Receipts</b>	
Other Non-Operating Cash Receipts	<u>\$74,783</u>
<i>Total Non-Operating Cash Receipts</i>	<u>74,783</u>
<b>Non-Operating Cash Disbursements</b>	
Other Non-Operating Cash Disbursements	<u>69,256</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>69,256</u>
<i>Net Receipts Over Disbursements</i>	<u>5,527</u>
<i>Fund Cash Balances, January 1</i>	<u>5,110</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$10,637</u></u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$336,100	\$572,598	\$0	\$0	\$908,698
Municipal Income Tax	482,344	0	0	0	482,344
Intergovernmental	177,539	216,949	0	0	394,488
Charges for Services	199,279	16,329	0	0	215,608
Fines, Licenses and Permits	156,570	0	0	0	156,570
Miscellaneous	34,456	11,501	0	0	45,957
<i>Total Cash Receipts</i>	<u>1,386,288</u>	<u>817,377</u>	<u>0</u>	<u>0</u>	<u>2,203,665</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	409,295	532,770	0	0	942,065
Public Health Services	1,426	7,650	0	0	9,076
Leisure Time Activities	0	8,660	0	0	8,660
Community Environment	26,401	700	0	0	27,101
Basic Utility Services	0	146,386	0	0	146,386
Transportation	0	119,346	0	0	119,346
General Government	872,930	0	0	2,940	875,870
Debt Service:					
Principal Retirement	4,800	2,576	0	0	7,376
<i>Total Cash Disbursements</i>	<u>1,314,852</u>	<u>818,088</u>	<u>0</u>	<u>2,940</u>	<u>2,135,880</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>71,436</u>	<u>(711)</u>	<u>0</u>	<u>(2,940)</u>	<u>67,785</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	5,500	0	0	5,500
Transfers Out	(5,500)	0	0	0	(5,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,500)</u>	<u>5,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	65,936	4,789	0	(2,940)	67,785
<i>Fund Cash Balances, January 1</i>	<u>426,879</u>	<u>134,704</u>	<u>61</u>	<u>27,805</u>	<u>589,449</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	114,470	61	24,865	139,396
Committed	79,621	25,023	0	0	104,644
Unassigned (Deficit)	413,194	0	0	0	413,194
<i>Fund Cash Balances, December 31</i>	<u>\$492,815</u>	<u>\$139,493</u>	<u>\$61</u>	<u>\$24,865</u>	<u>\$657,234</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Agency</u>
<b>Non-Operating Cash Receipts</b>	
Other Non-Operating Cash Receipts	<u>\$136,242</u>
<i>Total Non-Operating Cash Receipts</i>	<u>136,242</u>
<b>Non-Operating Cash Disbursements</b>	
Other Non-Operating Cash Disbursements	<u>159,776</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>159,776</u>
<i>Net Receipts Over Disbursements</i>	<u>(23,534)</u>
<i>Fund Cash Balances, January 1</i>	<u>28,644</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,110</u></u>

*The notes to the financial statements are an integral part of this statement.*

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the 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.

The Village participates in the Public Entities Pool of Ohio public entity risk pool. Note 8 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.

**B. Accounting Basis**

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Deposits**

The Village's funds are deposited in checking accounts.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

Police Fund– This fund receives property tax money for providing police protection services for the Village and its residents.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. Debt Service Fund**

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**4. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund:

Capital Improvement Fund – This fund receives transfers from the General Fund and monies from OPWC and is used to account for various capital projects.

**5. Fiduciary Funds**

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

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

**E. Budgetary Process**

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

**1. 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.

**2. 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.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. 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.

**5. Unassigned**

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

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

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Property, Plant, and Equipment**

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

**H. 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.

**2. EQUITY IN POOLED DEPOSITS**

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

	2015	2014
Demand deposits	\$548,121	\$655,312

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,360,650	\$1,386,288	\$25,638
Special Revenue	818,710	822,877	4,167
Total	\$2,179,360	\$2,209,165	\$29,805

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,787,372	\$1,320,353	\$467,019
Special Revenue	902,769	818,087	84,682
Capital Projects	13,249	2,940	\$10,309
Total	\$2,703,390	\$2,141,380	\$562,010



**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

**3. Budgetary Activity (Continued)**

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,480,300	\$1,346,521	(\$133,779)
Special Revenue	923,947	820,331	(103,616)
Total	\$2,404,247	\$2,166,852	(\$237,395)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,733,777	\$1,449,970	\$283,807
Special Revenue	935,710	824,074	111,636
Total	\$2,669,487	\$2,274,044	\$395,443

**4. PROPERTY TAX**

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.

Public utilities are also taxed on personal and real property located within the Village.

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

**5. LOCAL INCOME TAX**

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.

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

**6. DEBT (Continued)**

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Street Program Loan	\$18,034	0%
State Fire Marshal Loan	<u>\$33,535</u>	0%
Total	<u><u>\$51,569</u></u>	

The Village acquired an interest free loan in the amount of \$51,522 in April 2003 from an Ohio Public Works Commission (OPWC) Street Program Loan that was issued to facilitate improvements to Village Streets. The Village will repay the loan in semiannual installments of \$1288 over twenty years.

The Village acquired a loan in December 2002 from the Small Government Fire Departmental Services Revolving Loan Program which was approved and administered by the State Fire Marshal. The interest free loan was issued in the amount of \$95,932 for the purpose of purchasing an Emergency Medical Services vehicle. The Village will repay the loan in quarterly installments of \$1200 over twenty years.

Amortization of the above debt is scheduled as follows:

Year ending	OPWC Street	State Fire	
December 31:	Program Loan	Marshal	Total Debt
2016	\$2,576	\$4,800	\$7,376
2017	2,576	4,800	\$7,376
2018	2,576	4,800	\$7,376
2019	2,576	4,800	\$7,376
2020	2,576	4,800	\$7,376
2021-2025	5,154	9,535	\$14,689
Total	<u>\$18,034</u>	<u>\$33,535</u>	<u>\$51,569</u>

**7. RETIREMENT SYSTEMS**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2014 through June 30, 2014, OP&F participants contributed 10.75% of their wages. From July 1, 2014 through October 31, 2014 (when the Village's police department disbanded), OP&F participants contributed 11.5% of their wages. For 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2015, 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, 2015.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

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**8. RISK MANAGEMENT**

The Village is exposed to various risks of property casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Workers' 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, 2015, 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 auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(\$12,363,257)</u>	<u>(\$12,759,127)</u>
Net Position	\$23,038,920	\$25,548,550

At December 31, 2014 and 2015, respectively, the liabilities above include appropriately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$42,000.

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.

**Village of Lincoln Heights, Ohio**  
*Hamilton County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2015 and 2014*

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**8. RISK MANAGEMENT (Continued)**

<b><u>Contributions to PEP</u></b>	
<b><u>2014</u></b>	<b><u>2015</u></b>
67,152	\$66,683

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.

**9. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



# Dave Yost • Auditor of State

## 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 Steffens Avenue  
Lincoln Heights, 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, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the completeness and accuracy of the amounts recorded as other non-operating cash receipts in the Agency Fund for the year then ended December 31, 2014.

### ***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 Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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 Entity's financial statements. We consider finding 2015-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-001 described in the accompanying schedule of findings to be a significant deficiency.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2015-002.

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

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses 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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 8, 2016

VILLAGE OF LINCOLN HEIGHTS  
HAMILTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Finding for Recovery/Significant Deficiency**

The Village made payments on behalf of Antwan Sparks for child support payments and other garnishments in which Mr. Sparks was required to repay through paycheck withholdings. For the payroll checks issued 12/27/13, 1/10/14, 1/24/14, 2/7/14, 2/21/14, 3/7/14, 3/21/14, 4/4/14, and 4/18/14 child support payments and other garnishments were paid in the total amount of \$1,330 on behalf of Mr. Sparks.

Review of payroll records indicate these payments were not reimbursed to the Village via paycheck withholdings. As a result, an overpayment of \$1,330 occurred as noted:

<u>Description</u>	<u>Amount</u>
Ohio Child Support Payments	\$1,006
Hamilton Municipal Court Civil Division Payments	\$287
Legal Shield Payments	\$37
Total Overpayment	\$1,330

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 Mr. Sparks in the amount of \$1,330 and in favor of the Village of Lincoln Heights General Fund for \$1,330.

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 such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. 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, 1980 Op. Att’y Gen. No. 80-074.

Carnell Mathews, the Income Tax Administrator approved the processing of payroll resulting in the improper payments. Carnell Mathews, the Income Tax Administrator and her bonding company The Cincinnati Insurance Companies will be jointly and severally liable in the amount of \$1,330 and in favor of the General Fund to the extent that recovery is not obtained from the above listed employees.

**Officials’ Response:**

Upon review of the finding for recovery, the Village is investigating recovery methods for the \$1,330 owed the Village by Mr. Sparks to determine if there are any additional options for recovery other than those stated within the Auditor’s report.

## FINDING NUMBER 2015-002

### Noncompliance/Material Weakness

**Ohio Admin Code § 117-2-02(A)** provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

In addition, when designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The preparation of the monthly bank reconciliation is an important management tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution. The accuracy of the bank reconciliation is essential for proper financial reporting and to enable the Court to be able to make sound financial decisions.

The following conditions were noted when testing Mayor's Court activity:

- Supporting documentation was not provided for the Mayor's Court cashbook balance being greater than the Mayor's Court bank balance by an unknown variance of \$3,514 noted on the year-end bank reconciliation at December 31, 2015;
- Bank reconciliations were not reviewed;
- Listing of issued tickets was not maintained in 2014;
- Comprehensive listing of disbursements was not maintained resulting in disbursements being understated by \$22,912 and overstated by \$5,552 in 2014 and 2015 respectively.

We also noted the following conditions related to the Village's accounting records and financial statements:

- Bank reconciliations were not performed during January 2014 through April 2014. The December 31, 2015 bank reconciliation prepared by the Village was not reconciled by \$1,923, with the system balance being more than the bank balance. The unreconciled balance was due mainly to payroll errors identified in Finding 2015-001;
- Payments were made on behalf of five terminated employees for child support, legal fees and supplementary insurance resulting in \$1,472 of improper payments;
- Debt payments in the General and Special Revenue funds, in the amounts of \$4,800 and \$2,576, in 2014 and 2015 respectively, were improperly classified as security of persons and property and transportation disbursements rather than as principal retirement;
- Intergovernmental revenue in the General fund was improperly classified as special assessments receipts in the amounts of \$177,539 and \$177,223, in 2014 and 2015 respectively;



**FINDING NUMBER 2015-002  
(Continued)**

- Court fines were improperly classified as charges for services in the General Fund rather than as fines, licenses, and permits receipts in the amounts of \$122,903 and \$53,938, in 2014 and 2015 respectively;
- A property tax refund was improperly classified as a negative receipt to municipal income tax revenue in the General Fund rather than as a negative receipt to property taxes, in the amount of \$26,670 in 2015;
- The restricted fund balance was improperly classified as unassigned fund balance in the Special Revenue Fund in the amounts of \$110,837 and \$117,026, in 2014 and 2015 respectively. The committed fund balance was also improperly classified as unassigned fund balance in the Special Revenue Fund in the amount of \$6,259 in 2015.
- The restricted fund balance was improperly classified as unassigned fund balance in the Capital Projects Fund in the amounts of \$2,140 and \$24,865, in 2014 and 2015 respectively;
- The agency fund receipts were improperly posted to the financial statements in the amounts of \$875 and \$110 in 2014 and 2015 respectively;
- Rollback revenue in the amount of \$7,157 was improperly posted to the Fire Levy Fund; instead of, the Waste Levy Fund in 2014.

The Village has posted adjustments to the financial statements and the underlying accounting records.

Failure to properly maintain the accountability of all tickets increases the risk that errors, theft or fraud could occur and not be detected in a timely manner. Failure to maintain a comprehensive list of disbursements may result in the misstatement of the financial statement for the Mayor's Court agency fund.

Failure to accurately prepare reconciliations could result in differences between the cash bank account balances and the accounting system book balances not being detected on a timely basis. Failure to properly monitor payroll transactions and bank reconciliations could lead to improper payments and/or misstatement of financial statements. Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions. Also, failure to accurately post financial activity can lead to material misstatements in financial reporting.

We recommend the Village reconcile accurately on a monthly basis, monitor the bank reconciliations evidenced by initials (or signature) of the reviewer and the date and review payroll reports every pay period. We also recommend due care be exercised when posting entries to the financial records and annual financial report to prevent errors and to assist in accurately reflecting the Village's financial activity in the underlying accounting records and the annual financial statements. In addition we recommend the Mayor's Court maintain a listing of all disbursements.

**Officials' Response:**

Regarding the findings in reference to the review of bank reconciliations for Mayor's Court, the Village is implementing a process that includes review by the Village Manager, the Finance Director and then by the Finance Committee. After those reviews, the monthly reconciliation report will then be presented to Council.

**FINDING NUMBER 2015-002  
(Continued)**

Regarding the accounting system for the Village, we will be restructuring account codes to enable more accurate classification of assets and liabilities. Restructuring account codes should also eliminate posting errors. Additionally, we are adding a signature page to the monthly reconciliation reports that will indicate they have been thoroughly reviewed by the Village Manager and the Finance Committee Chair.



# Dave Yost • Auditor of State

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  
DECEMBER 20, 2016