



Dave Yost • Auditor of State



VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

Village of Arlington Heights  
Hamilton County  
601 Elliott Avenue  
Arlington Heights, Ohio 45215

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 16, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Arlington Heights  
Hamilton County  
601 Elliott Avenue  
Arlington Heights, Ohio 45215

To the Village Council:

We have audited the accompanying financial statements of the Village of Arlington Heights, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraph three below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Village did not provide sufficient evidence supporting the receipt transactions of its Mayor's Court for the months of January and February, 2010, which are recorded as other non-operating cash receipts in the Agency Fund. Additionally, the Village did not provide sufficient evidence in the prior audit supporting the receipt transactions of its Mayor's Court. Without a full accountability over the citations issued and revenue received, we could not satisfy ourselves regarding the completeness of the Mayor's Court receipts for 2011 and 2010, and we could not satisfy ourselves regarding the completeness of receipts for 2011 and 2010 through other audit procedures. We also could not satisfy ourselves regarding the completeness of the January 1, 2010 cash balance of the Agency fund. The Mayor's Court receipts represent 100% of the other non-operating cash receipts recorded in the Agency Fund.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, except for adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amount recorded as other non-operating cash receipts in the Agency Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and reserves for encumbrances as of December 31, 2010 of the Village of Arlington Heights, Hamilton County, Ohio, , and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Village of Arlington Heights adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

August 16, 2012

**VILLAGE OF ARLINGTON 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, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$45,202	\$66,431	\$0	\$111,633
Municipal Income Tax	386,961			386,961
Intergovernmental	33,406	67,744		101,150
Charges for Services	26,502	90,527		117,029
Fines, Licenses and Permits	389,525	40,444		429,969
Miscellaneous	5,166			5,166
<i>Total Cash Receipts</i>	<u>886,762</u>	<u>265,146</u>	<u>0</u>	<u>1,151,908</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	337,471	72,402		409,873
Leisure Time Activities	16,000			16,000
Basic Utility Services		90,662		90,662
Transportation		63,266		63,266
General Government	497,121	37,500		534,621
Debt Service:				
Principal Retirement	20,093			20,093
Interest and Fiscal Charges	2,073			2,073
<i>Total Cash Disbursements</i>	<u>872,758</u>	<u>263,830</u>	<u>0</u>	<u>1,136,588</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,004</u>	<u>1,316</u>	<u>0</u>	<u>15,320</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	2,000			2,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>2,000</u>
<i>Net Change in Fund Cash Balances</i>	16,004	1,316	0	17,320
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>189,918</u>	<u>214,481</u>	<u>2,302</u>	<u>406,701</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	215,797	0	215,797
Committed	14,709	0	0	14,709
Assigned	603	0	2,302	2,905
Unassigned (Deficit)	190,610	0	0	190,610
<i>Fund Cash Balances, December 31</i>	<u>\$205,922</u>	<u>\$215,797</u>	<u>\$2,302</u>	<u>\$424,021</u>

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

VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Agency</u>
<b>Non-Operating Cash Receipts</b>	
Other Non-Operating Cash Receipts	\$601,299
Other Non-Operating Other Financing Sources	<u>20</u>
<i>Total Non-Operating Cash Receipts</i>	<u>601,319</u>
<b>Non-Operating Cash Disbursements</b>	
Other Non-Operating Cash Disbursements	555,715
Other Non-Operating Other Financing Uses	<u>40,654</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>596,369</u>
<i>Excess of Non-Operating Receipts Over (Under) Non-Operating Disbursements</i>	4,950
<i>Fund Cash Balance, January 1</i>	<u>73,864</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$78,814</u></u>

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

VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$52,250	\$75,340	\$0	\$0	\$127,590
Municipal Income Tax	386,204				386,204
Intergovernmental	36,292	71,331			107,623
Charges for Services	9,301	88,421			97,722
Fines, Licenses and Permits	281,351	29,965			311,316
Miscellaneous	11,608	794			12,402
<b>Total Cash Receipts</b>	<u>777,006</u>	<u>265,851</u>	<u>0</u>	<u>0</u>	<u>1,042,857</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	323,997	74,068			398,065
Leisure Time Activities	4,384				4,384
Basic Utility Service		99,155			99,155
Transportation		57,585			57,585
General Government	426,457	32,203			458,660
Capital Outlay				8,500	8,500
Debt Service:					
Redemption of Principal	29,541				29,541
Interest and Fiscal Charges	4,205		66		4,271
<b>Total Cash Disbursements</b>	<u>788,584</u>	<u>263,011</u>	<u>66</u>	<u>8,500</u>	<u>1,060,161</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(11,578)</u>	<u>2,840</u>	<u>(66)</u>	<u>(8,500)</u>	<u>(17,304)</u>
Fund Cash Balances, January 1	186,787	226,350	66	10,802	424,005
<b>Fund Cash Balances, December 31</b>	<u><b>\$175,209</b></u>	<u><b>\$229,190</b></u>	<u><b>\$0</b></u>	<u><b>\$2,302</b></u>	<u><b>\$406,701</b></u>
Reserve for Encumbrances, December 31	<u>\$7,126</u>	<u>\$5,571</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,697</u>

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

VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Agency</u>
<b>Non-Operating Cash Receipts</b>	
Other Non-Operating Cash Receipts	\$437,192
Other Non-Operating Other Financing Sources	<u>3,336</u>
<i>Total Non-Operating Cash Receipts</i>	<u>440,528</u>
<b>Non-Operating Cash Disbursements</b>	
Other Non-Operating Cash Disbursements	<u>410,377</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>410,377</u>
<i>Excess of Non-Operating Receipts Over (Under) Non-Operating Disbursements</i>	30,151
<i>Fund Cash Balance, January 1</i>	<u>43,713</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$73,864</u></u>

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

**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 Arlington Heights, Hamilton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides administration of water and sewer utilities, waste trash removal, park operations, maintenance of Village roads and bridges and police services.

The Village contracts with the City of Reading, Ohio to receive fire protection services and emergency medical services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool public entity risk pool. Note 9 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 the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

**C. Deposits**

The Village's funds are maintained in checking accounts. The Village does not have any investments.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Waste Fund – This fund receives revenue from waste/trash collections for payment of contracted service and maintenance of equipment and certain Service Department salary expenses.

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Bond Fund – This fund maintains a small balance which consists of monies related to previously issued and repaid water and sewer bonds.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Fund – This fund maintains a balance which consists of monies transferred to the fund for the purpose of capital expenditures.

**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.

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.

Mayor's Court Fund – This fund accounts for fines and court costs that are received and disbursed related to the Village's Mayor's Court operations.

VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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.

VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

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.

**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.

**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity**

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at January 1, 2011
General	\$175,209	\$14,709	\$189,918
Special Revenue	229,190	(14,709)	214,481
Capital Projects	2,302	0	2,302

**3. Equity in Pooled Deposits**

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

	2011	2010
Demand deposits	<u>\$502,835</u>	<u>\$480,565</u>
Total deposits	<u><u>\$502,835</u></u>	<u><u>\$480,565</u></u>

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$780,204	\$888,762	\$108,558
Special Revenue	262,607	265,146	2,539
Debt Service	0	0	0
Capital Projects	0	0	0
Total	<u><u>\$1,042,811</u></u>	<u><u>\$1,153,908</u></u>	<u><u>\$111,097</u></u>

**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$970,121	\$873,361	\$96,760
Special Revenue	477,087	263,830	213,257
Debt Service	0	0	0
Capital Projects	2,302	0	2,302
Total	<u>\$1,449,510</u>	<u>\$1,137,191</u>	<u>\$312,319</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$764,342	\$777,006	\$12,664
Special Revenue	250,019	265,851	15,832
Debt Service	0	0	0
Capital Projects	0	0	0
Total	<u>\$1,014,361</u>	<u>\$1,042,857</u>	<u>\$28,496</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$949,629	\$795,710	\$153,919
Special Revenue	476,368	268,582	207,786
Debt Service	66	66	0
Capital Projects	10,802	8,500	2,302
Total	<u>\$1,436,865</u>	<u>\$1,072,858</u>	<u>\$364,007</u>

**5. 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Local Income Tax**

The Village levies a municipal income tax of 2.1 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. The funds collected under the provisions of the Village income tax ordinance are credited to the General Fund per Chapter 37.14 of the Village income tax ordinance.

The Village contracts with the Regional Income Tax Agency (RITA) for services related to the collection of Village income taxes.

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.

**7. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2003 General Obligation Building Improvement Bonds	\$23,359	4.09%
2007 Water Main Project Loan	\$18,351	5.10%
2011 Police Car Loan	27,818	5.45%
Total	<u>\$69,528</u>	

The 2003 General Obligation Building Improvement Bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet semi-annual principal and interest payments over ten years.

The 2007 Water Main Project Loan was obtained for the purpose of paying the cost of water main improvements in the Village and paying related costs. The commercial loan will be repaid in annual installments over five years.

The 2011 Police Car Loan was obtained for the purpose of purchasing a police car. The commercial loan principal and interest will be repaid in annual payments over five years.

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

Year ending December 31:	General Obligation Bonds	Water Main Project Loan	Police Car Loan	Total
2012	\$12,280	\$9,883	\$7,927	\$30,090
2013	12,287	9,883	7,927	\$30,097
2014			7,927	\$7,927
2015			7,927	\$7,927
Total	<u>\$24,567</u>	<u>\$19,766</u>	<u>\$31,708</u>	<u>\$76,041</u>

**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Retirement Systems**

The Village's 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. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2010, retention levels are \$150,000 for property and casualty coverage.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$1,950,167	\$ 2,109,514
Liabilities	<u>(1,656,732)</u>	<u>(1,920,839)</u>
Accumulated deficit	<u>\$293,435</u>	<u>\$188,675</u>

VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**10. Subsequent Events**

The Auditor of State is currently conducting a special audit of the Village's Mayor's Court. The results of this special audit cannot be determined at this time.

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# Dave Yost • Auditor of State

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

Village of Arlington Heights  
Hamilton County  
601 Elliott Avenue  
Arlington Heights, Ohio 45215

To the Village Council:

We have audited the financial statements of the Village of Arlington Heights, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 16, 2012 wherein we noted the Village prepared its financial statements using accounting principles the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We noted for the year ended December 31, 2011, the Village adopted the provisions of Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We also qualified our opinion for the lack of evidential matter in the Mayor's Court to support the amounts recorded as other non-operating cash receipts and January 1, 2010 balances of the Agency Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### **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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 16, 2012.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 16, 2012

**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Material Weakness**

The records of the Village's Mayor's Court activities were not sufficient to provide evidence that all transactions of the Mayor's Court were accounted for and recorded, and that all receipt transactions were deposited for the months of January and February, 2010. Also, the beginning fund balance as of January 1, 2010 may not be complete as indicated below.

In January, 2010, the Village purchased and implemented a new Mayor's Court computerized program and in June, 2010, the Village opened a new, separate Mayor's Court bank account.

As of December 31, 2011 and 2010, the old Mayor's Court bank account maintained a balance of \$47,049 and \$6,415 respectively. During 2011, the Village distributed \$40,654 to the State of Ohio as a result of a Finding for Recovery issued as Finding Number 2009-01 in the audit of the financial statements for the years ended December 31, 2009 and 2008. The remaining balance includes amounts that need to be researched by the Village and distributed according to Village ordinance and the Ohio Revised Code.

As a result of the discrepancies noted in the Mayor's Court during the audit of the financial statements for the years ended December 31, 2009 and 2008, the Auditor of State is currently conducting a Special Audit of the Mayor's Court transactions. Upon completion of that special audit a separate report will be issued that addresses the findings of that special audit. This report does not purport to address all the findings related to the Mayor's Court.

In addition, disbursement of the Mayor's Court cash balances are dependent upon the amount collected and therefore we are not able to determine if appropriate amounts have been distributed to the Village and other State agencies in accordance with applicable sections of the Ohio Revised Code.

As a result of these conditions and the ongoing Special Audit which extends into February, 2010, we are not able to satisfy ourselves as to whether all receipt transactions of the Mayor's Court have been appropriately accounted for, recorded or appropriately deposited into the bank account of the Court. The amounts reported in the Village's financial statements for the agency fund represent balances and activities primarily based on cashbook receipts and bank statement disbursements.

We recommend that the Village utilize the results of the Special Audit to resolve any issues and balances related to the old Mayor's Court bank account.

**Officials' Response:**

The Village of Arlington Heights has followed the recommendations of the State Auditor's office and implemented a new computer system for Mayor's Court. The new Clerk of Courts has been very active in attending classes and seminars on Mayor's Court operations to insure the Village stays abreast of any changes in the State. The Village of Arlington Heights will utilize the results of the Special Audit to resolve any issues with the old Mayor's Court bank account.

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**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-01	<p>Finding for Recovery – Repaid Under Audit \$40,654 Collected by the Mayor’s Court to be Distributed to the State of Ohio</p> <p>Noncompliance – Ohio Rev. Code, Section 2743.70(A)(1), 2949.091(A)(1), 2949.094(A), 4511.81(A), 4511.81(L)(1) – Failure to Remit State Distributions from Mayor’s Court.</p>	Yes	
2009-02	Material Weakness – Lack of segregation of duties for Mayor’s Court.	Yes	
2009-03	Material Weakness – Lack of Timely Reconciliations relating to the Payroll Clearing Account and the Mayor’s Court Bank Account.	Yes	
2009-04	Material Weakness – Lack of Sufficient Mayor’s Court Records and Completeness of Receipts and Deposits.	No	Partially Corrected

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# Dave Yost • Auditor of State

VILLAGE OF ARLINGTON 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  
SEPTEMBER 25, 2012