



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
Cincinnati, 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

April 26, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Arlington Heights
Hamilton County
601 Elliott Avenue
Cincinnati, 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, 2009 and 2008. 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 described 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 transaction of its Mayor's Court during 2009 and 2008, which are recorded as other non-operating cash receipts in the Agency Fund. Without a full accountability over the citations issued and revenue received, we could not assure ourselves regarding the completeness of the Mayor's Court receipts or satisfy ourselves regarding the completeness of receipts through other audit procedures. 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.

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, 2009 and 2008 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, 2009 and 2008, 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 and reserves for encumbrances of the Village of Arlington Heights, Hamilton County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2008, the Village changed its financial statement presentation to conform to presentation methods the Auditor of State prescribes or permits.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2011, 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

April 26, 2011

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$53,370	\$77,598	\$0	\$0	\$130,968
Municipal Income Tax	424,677				424,677
Intergovernmental	31,494	89,983			121,477
Charges for Services		97,353			97,353
Fines, Licenses and Permits	277,116	43,040			320,156
Miscellaneous	9,831				9,831
Total Cash Receipts	<u>796,488</u>	<u>307,974</u>	<u>0</u>	<u>0</u>	<u>1,104,462</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	270,169	121,724			391,893
Leisure Time Activities	5,099				5,099
Basic Utility Service		90,995			90,995
Transportation		55,464			55,464
General Government	442,673	23,180			465,853
Debt Service:					
Redemption of Principal	39,211				39,211
Interest and Fiscal Charges	6,286				6,286
Capital Outlay		26,452			26,452
Total Cash Disbursements	<u>763,438</u>	<u>317,815</u>	<u>0</u>	<u>0</u>	<u>1,081,253</u>
Total Receipts Over/(Under) Disbursements	<u>33,050</u>	<u>(9,841)</u>	<u>0</u>	<u>0</u>	<u>23,209</u>
Other Financing Receipts:					
Sale of Fixed Assets	10,650	58,220			68,870
Total Other Financing Receipts	<u>10,650</u>	<u>58,220</u>	<u>0</u>	<u>0</u>	<u>68,870</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<u>43,700</u>	<u>48,379</u>	<u>0</u>	<u>0</u>	<u>92,079</u>
Fund Cash Balances, January 1	<u>143,087</u>	<u>177,971</u>	<u>66</u>	<u>10,802</u>	<u>331,926</u>
Fund Cash Balances, December 31	<u>\$186,787</u>	<u>\$226,350</u>	<u>\$66</u>	<u>\$10,802</u>	<u>\$424,005</u>
Reserve for Encumbrances, December 31	<u>\$1,795</u>	<u>\$573</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,368</u>

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

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$411,251</u>
Total Non-Operating Cash Receipts	<u>411,251</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>384,838</u>
Total Non-Operating Cash Disbursements	<u>384,838</u>
Excess of Receipts Over Disbursements	26,413
Fund Cash Balances, January 1	<u>17,300</u>
Fund Cash Balances, December 31	<u><u>\$43,713</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
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$78,052	\$72,549	\$0	\$0	\$150,601
Municipal Income Tax	450,071				450,071
Intergovernmental	25,214	73,646			98,860
Charges for Services		108,521			108,521
Fines, Licenses and Permits	203,450	36,712			240,162
Miscellaneous	4,107	4,350			8,457
	<u>760,894</u>	<u>295,778</u>	<u>0</u>	<u>0</u>	<u>1,056,672</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	269,452	117,388			386,840
Leisure Time Activities	17,837				17,837
Basic Utility Service		74,379			74,379
Transportation		63,433			63,433
General Government	419,976	22,046	406		442,428
Debt Service:					
Redemption of Principal	49,109	7,413			56,522
Interest and Fiscal Charges	8,144	363			8,507
	<u>764,518</u>	<u>285,022</u>	<u>406</u>	<u>0</u>	<u>1,049,946</u>
Total Receipts Over/(Under) Disbursements	<u>(3,624)</u>	<u>10,756</u>	<u>(406)</u>	<u>0</u>	<u>6,726</u>
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	990				990
Transfers-In		1,800			1,800
Transfers-Out	(1,800)				(1,800)
	<u>(810)</u>	<u>1,800</u>	<u>0</u>	<u>0</u>	<u>990</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,434)	12,556	(406)	0	7,716
Fund Cash Balances, January 1 Restated	<u>147,521</u>	<u>165,415</u>	<u>472</u>	<u>10,802</u>	<u>324,210</u>
Fund Cash Balances, December 31	<u>\$143,087</u>	<u>\$177,971</u>	<u>\$66</u>	<u>\$10,802</u>	<u>\$331,926</u>
Reserve for Encumbrances, December 31	<u>\$4,190</u>	<u>\$573</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,763</u>

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

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$269,817</u>
Total Non-Operating Cash Receipts	<u>269,817</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>255,701</u>
Total Non-Operating Cash Disbursements	<u>255,701</u>
Excess of Receipts Over Disbursements	14,116
Fund Cash Balances, January 1 Restated	<u>3,184</u>
Fund Cash Balances, December 31	<u><u>\$17,300</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, 2009 AND 2008**

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'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. Cash 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.

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.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

Fire and Life Squad Levy Fund – This fund receives property tax money for providing fire protection services and emergency medical services.

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 Fund:

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 fund:

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. 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.

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.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 2009 and 2008 budgetary activity appears in Note 4.

F. 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.

G. 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. Prior Period Restatement

The Village restated the January 1, 2008 cash fund balance for the Fiduciary Fund Type as follows:

Cash Fund Balance, December 31, 2007:	\$0
Prior Period Adjustment:	
Increase in fund balance to correct the timing of recording certain disbursements on the financial statements and to correct an error in recording a reconciling item.	3,184

Cash Fund Balance, January 1, 2008:	\$3,184

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 cash deposits at December 31 was as follows:

	2009	2008
Demand deposits	\$467,718	\$349,226

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

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$772,235	\$807,138	\$34,903
Special Revenue	314,180	366,194	52,014
Debt Service	0	0	0
Capital Projects	0	0	0
Total	<u>\$1,086,415</u>	<u>\$1,173,332</u>	<u>\$86,917</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$920,656	\$765,233	\$155,423
Special Revenue	486,723	318,388	168,335
Debt Service	66	0	66
Capital Projects	10,802	0	10,802
Total	<u>\$1,418,247</u>	<u>\$1,083,621</u>	<u>\$334,626</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$854,391	\$761,884	(\$92,507)
Special Revenue	314,414	297,578	(16,836)
Debt Service	0	0	0
Capital Projects	0	0	0
Total	<u>\$1,168,805</u>	<u>\$1,059,462</u>	<u>(\$109,343)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,008,583	\$770,508	\$238,075
Special Revenue	441,167	285,595	155,572
Debt Service	472	406	66
Capital Projects	10,802	0	10,802
Total	<u>\$1,461,024</u>	<u>\$1,056,509</u>	<u>\$404,515</u>

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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.

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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2003 General Obligation Building Improvement Bonds	\$44,910	4.09%
2007 Water Main Project Loan	34,961	5.10%
2007 Police Car Loan	11,000	5.22%
Total	<u>\$90,871</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 2007 Police Car Loan was obtained for the purpose of purchasing a police care. The commercial loan principal and interest will be repaid in annual payments over three years.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Debt (Continued)

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
2010	\$12,290	\$9,882	\$11,574	\$33,746
2011	12,283	9,882		22,165
2012	12,280	9,882		22,162
2013	12,287	9,882		22,169
Total	<u>\$49,140</u>	<u>\$39,528</u>	<u>\$11,574</u>	<u>\$100,242</u>

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 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, 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, 2009.

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.

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.



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
Cincinnati, 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, 2009 and 2008 and have issued our report thereon dated April 26, 2011, 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 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 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 findings 2009-002, 2009-003 and 2009-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 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 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 26, 2011.

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.

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

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

Dave Yost
Auditor of State

April 26, 2011

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-01

Finding for Recovery Repaid Under Audit

Ohio Rev. Code, Section 2743.70(A)(1), states, in part, that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the following sum as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender: (a) Thirty dollars, if the act, if committed by an adult would be a felony; (b) Nine dollars, if the act, if committed by an adult, would be a misdemeanor. All such moneys shall be transmitted on the first business day of each month by the clerk of the court to the treasurer of state and deposited by the treasurer in the reparations fund.

Ohio Rev. Code, Section 2949.091 (A)(1), states, in part, that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. Effective October 16, 2009, **Ohio Rev. Code, Section 2949.091 (A)(1)**, was amended to state, in part, that the court, in which any person is convicted of or pleads guilty to any offense shall impose one of the following sums as costs in the case in addition to any court costs that the court is required by law to impose upon the defender: Thirty dollars if the offense is a felony, twenty dollars if the offense is a misdemeanor other than a traffic offense that is not a moving violation or ten dollars if the offense is a traffic offense that is not a moving violation, excluding parking violations. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state to the credit of the indigent defense support fund.

Ohio Rev. Code, Section 2949.094 (A), states, in part, that the court, in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. The clerk of courts shall transmit thirty-five per cent of all additional court costs collected pursuant to this division during a month on or before the twenty-third day of the following month to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund and the remaining three per cent shall be credited to the justice program services fund. The clerk shall transmit fifteen per cent of all additional costs so collected during a month on or before the twenty-third day of the following month to the county or municipal indigent drivers alcohol treatment fund. The clerk shall transmit fifty per cent of all additional court costs so collected during a month on or before the twenty-third day of the following month to the state treasury to be credited to the indigent defense support fund.

**FINDING NUMBER 2009-01
(Continued)**

Ohio Rev. Code, Section 4511.81(A) and 4511.81(L)(1), states, in part, that whoever violates section (A) which states that when any child who is in either or both of the following categories is being transported in a motor vehicle, other than a taxicab or public safety vehicle, the operator of the motor vehicle shall have the a child who is less than four years of age or a child who weighs less than forty pounds properly secured in accordance with the manufacturer's instructions in a child restraint system that meets federal motor vehicle safety standards. Except as otherwise provided, the offender is guilty of a minor misdemeanor and shall be fined not less than twenty-five dollars nor more than seventy-five dollars. If the offender previously has been convicted of or pleaded guilty to a violation of this section or of a municipal ordinance that is substantially similar to any of these divisions, the offender is guilty of a misdemeanor of the fourth degree. All fines imposed pursuant to division (L)(1) of this section shall be forwarded to the treasurer of state for deposit in the child highway safety fund.

Based on available Cashbook entries and fine distribution summaries, we determined the Court did not distribute the following amounts during 2009 and 2008: \$5,463 to the state's reparation fund (Victims of Crime), \$22,950 to the state's Indigent defense support fund, \$11,991 to the Drug law enforcement fund/Justice program services fund (split by the state) and \$250 to the state's child highway safety fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we considered a finding for recovery against the Village of Arlington Heights Mayor's Court for \$40,654 for public moneys collected but unaccounted for in favor of the Treasurer of State's reparation fund for \$5,463, the indigent defense support fund for \$22,950, the Drug law enforcement fund/Justice program services fund for \$11,991 and to the child highway safety fund for \$250.

The Court remitted \$40,654, to the Treasurer of State of Ohio via an electronic transfer of funds. Payment verification was provided to our office to substantiate this repayment. Accordingly, we consider this finding for recovery repaid under audit.

Official's Response:

The Village of Arlington Heights Council purchased a new software program for Mayor's Court in June 2009. The new software has allowed us to monitor Mayor's Court Operations more efficiently and make disbursements in a timely manner. The new software was put into use January 1, 2010.

FINDING NUMBER 2009-02

Material Weakness

Sound business practices suggest that adequate segregation of duties be established over financial operations of an entity. Implementing these controls will assist the Village in monitoring the financial activity of the Village's Mayor's Court activity.

The Mayor's Court Clerk and the Mayor's Court Deputy Clerk were related individuals and were the only designated users of the Village Mayor's Court Professional File accounting system. During the period, the Mayor and the Police Chief served as the direct supervisors for the Mayor's Court personnel, however per review of the 2009 and 2008 court records, there is no indication that the Mayor's Court cashbook, docket, open items or bank reconciliations were reviewed or approved by management of the Village or Council. On December 28, 2009, the Village appointed a new Mayor's Court Clerk effective January 2, 2010. However, the Village should implement adequate segregation of duties and oversight over the Mayor's Court.

**FINDING NUMBER 2009-02
(Continued)**

We recommend that management maintain adequate segregation of duties relating to the Court activity. Management should also maintain access to the Mayor's Court accounting system and perform periodic detailed reviews of recorded activity and indicate this review on the appropriate Mayor's Court cashbooks, court dockets and bank reconciliations.

Official's Response:

Staffing changes were made in early 2010 eliminating the issues of related individuals working together in the Mayor's Court. The Mayor will review and sign the Mayor's Court reconciliation report each month.

FINDING NUMBER 2009-03

Material Weakness

All bank accounts of the Village should be reconciled on a timely basis.

During 2009 and 2008, the Village did not document clear and complete reconciliations for the Payroll Clearing bank account or the Mayor's Court bank account.

During the twenty-four month period under audit, clear and complete Payroll clearing bank account reconciliations were not prepared or maintained. Subsequent to December 31, 2009, the Fiscal Officer re-performed detailed reconciliations and identified minor variances. At December 31, 2009, the Village's unreconciled Payroll clearing account book balance was \$239 less than the unreconciled bank balance. At December 31, 2008, the Village's unreconciled Payroll clearing account book balance was \$34 more than the unreconciled bank balance.

During the twenty-four month period under audit, clear and complete Mayor's Court bank account reconciliations were not prepared or maintained. We identified significant undistributed monies and minor variances as follows: At December 31, 2009 and 2008, undistributed monies (not distributed in the subsequent month) totaled \$43,646 and \$1,948, respectively. At December 31, 2009, the Village's unreconciled Mayor's Court account book balance was \$67 less than the unreconciled bank balance. At December 31, 2008, the Village's unreconciled Mayor's Court account book balance was \$16 less than the unreconciled bank balance.

Failure to accurately prepare and reconcile the accounting records to the bank account reduces the accountability over Village funds and reduces Council's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Village's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well, as to help ensure that all recorded transactions have been deposited with the financial institution.

We recommend that the Village complete timely and complete bank reconciliations for the Payroll Clearing Account and the Mayor's Court Bank Account.

We also recommend that management or Council document a review of all completed reconciliations.

**FINDING NUMBER 2009-03
(Continued)**

Official's Response:

As part of the staff changes in early 2010 the duties of Payroll was transferred from the Clerk of Court to the Fiscal Officer. The Mayor will review and sign each month's reconciliation report. Village of Arlington Heights

FINDING NUMBER 2009-04

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 or correctly recorded, and that receipt transactions were deposited. Testing of Mayor's Court records covering 2009 and 2008 disclosed the following conditions:

- The Mayor's Court accounting system, utilized in 2009 and 2008, was very antiquated and did not maintain a complete database of all tickets issued and or all receipts issued. We noted instances where the accounting system contained information on certain cases where there were no tickets maintained by the Court and where no information was recorded in the accounting system for a ticket that was located in the Court files.
- Deposits of funds into the bank account of the Mayor's Court for receipts were not supported by a batch sheet or other reconciling document to provide an audit trail of receipts. Deposits were made infrequently. During the twenty-four month period under audit, the Village made fewer than five deposits in seven months reviewed. For these seven months, the Village averaged less than one deposit per week. Therefore, we were unable to determine if an amount collected on a specific case or ticket was, in fact, deposited.

As a result of these conditions, 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.

As a result of the discrepancies noted in the Mayor's Court as noted above, 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, 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.

From the records that were provided by the Village, transactions were selected and tested for applicable compliance. As a result of this testing, we noted the following additional compliance items:

- Ohio Revised Code, Section 9.38 requires that public money be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt, or within three business days if less than \$1,000 and the money can be safeguarded. As noted above, receipts for the Mayor's Court were not always deposited within three business days.

**FINDING NUMBER 2009-04
(Continued)**

The Ohio Revised Code requires that distribution of money to the State, generally, prior to the twentieth day of the month following collection. Of the twenty-four months under audit, certain distributions, all or part, for fifteen months were not made to the State within these time requirements.

Official's Response:

The Village Council purchased and implemented new Mayor's Court software January 1, 2010. In February, 2010, the Village requested an investigation into its Mayor's Court Program by BCI. After their investigation it was established that there was discrepancies in the records for Mayor's Court. On February 16, 2010 Mayor Surber wrote the Ohio State Auditor's Office and requested a special Audit of the Villages Mayor's Court records. The Special Audit is still ongoing at this time.

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**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code, Section 733.28 and Ohio Admin. Code, Section 117-2-02(A) regarding Village records not being maintained properly.	Yes	
2007-002	Ohio Rev. Code, Section 5705.41(D)(1) regarding lack of timely certification of funds.	Yes	
2007-003	Ohio Rev. Code, Section 149.351(A) regarding failure to maintain support documentation related to cash collections for citizen trash removal.	Yes	

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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
MAY 12, 2011