

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY, OHIO

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**



Dave Yost • Auditor of State

Village Council
Village of Arlington Heights
601 Elliott Ave
Cincinnati, Ohio 45215

We have reviewed the *Independent Auditor's Report* of the Village of Arlington Heights, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Arlington Heights is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

July 17, 2018

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VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Arlington Heights
Hamilton County
601 Elliott Avenue
Arlington 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 Arlington Heights, Hamilton County, (the Village), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Arlington Heights, Hamilton County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018, 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 cursive script that reads "Bastin & Company, LLC". The signature is written in dark ink on a light-colored background.

Cincinnati, Ohio
June 15, 2018

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 142,250	\$ 58,804	\$ 201,054
Municipal Income Tax	543,327	-	543,327
Intergovernmental	24,584	70,296	94,880
Charges for Services	-	79,002	79,002
Fines, Licenses and Permits	49,206	2,520	51,726
Miscellaneous	18,961	12	18,973
<i>Total Cash Receipts</i>	<u>778,328</u>	<u>210,634</u>	<u>988,962</u>
Cash Disbursements			
Current:			
Security of Persons and Property	240,728	43,841	284,569
Public Health Services	745	-	745
Leisure Time Activities	2,815	-	2,815
Basic Utility Service	-	71,421	71,421
Transportation	-	51,677	51,677
General Government	360,465	10,109	370,574
Debt Service:			
Principal Retirement	-	19,466	19,466
Interest and Fiscal Charges	-	1,783	1,783
<i>Total Cash Disbursements</i>	<u>604,753</u>	<u>198,297</u>	<u>803,050</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	173,575	12,337	185,912
Other Financing Receipts (Disbursements)			
Sale of Fixed Assets	9,088	-	9,088
Transfers-In	26,312	-	26,312
Transfers-Out	-	(26,312)	(26,312)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>35,400</u>	<u>(26,312)</u>	<u>9,088</u>
<i>Net Change in Fund Cash Balances</i>	208,975	(13,975)	195,000
<i>Fund Cash Balances, January 1</i>	<u>365,901</u>	<u>175,743</u>	<u>541,644</u>
Fund Cash Balances, December 31			
Restricted	-	161,768	161,768
Assigned	203,107	-	203,107
Unassigned (Deficit)	371,769	-	371,769
<i>Fund Cash Balances, December 31</i>	<u>\$ 574,876</u>	<u>\$ 161,768</u>	<u>\$ 736,644</u>

See accompanying notes to the basic financial statements

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

	Agency
Non-Operating Receipts (Disbursements)	
Other Financing Sources	\$ 49,740
Other Financing Uses	(51,592)
<i>Total Non-Operating Receipts (Disbursements)</i>	(1,852)
<i>Fund Cash Balances, January 1</i>	4,172
<i>Fund Cash Balances, December 31</i>	\$ 2,320

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The Village of Arlington Heights (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides road and bridge maintenance, administration of water and sewer utilities, and park operations. The Village contracts with the Hamilton County Sheriff's Department for police services, and with the City of Reading for fire protection and emergency medical services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for its fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair Fund This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Waste Fund This fund receives revenue from waste/trash collection for payment of contracted services and maintenance of equipment and certain service department salary expenses.

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

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. The Village's agency fund accounts for the financial activity of the Village Mayor's Court.

Basis of Accounting

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 694,582	\$ 813,728	\$ 119,146
Special Revenue	208,011	210,634	2,623
Total	\$ 902,593	\$ 1,024,362	\$ 121,769

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 936,902	\$ 642,622	\$ 294,280
Special Revenue	308,290	224,815	83,475
Total	\$ 1,245,192	\$ 867,437	\$ 377,755

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$738,964

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS). At December 31, 2017, \$43,983 of the Village's bank balance of \$767,451 was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

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

Note 5 – Taxes

Property Taxes

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

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.

Income Taxes

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.

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

Note 6 – Risk Management

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

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

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 March 31, 2017, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

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

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 accumulated surplus at March 31, 2017:

Assets	\$1,091,8821
Liabilities	<u>(757,765)</u>
Accumulated Surplus	<u>\$ 334,117</u>

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
2014 Police Car Capital Lease #1	\$ 11,427	5.32%
2014 Police Car Capital Lease #2	9,084	4.44%
2016 Lawn Mower Capital Lease	<u>2,269</u>	4.25%
Total	<u>\$ 22,780</u>	

On February 21, 2014, the Village entered into a five-year capital lease for the purchase of a police cruiser. The total cost of the purchase was \$41,508, at an interest rate of 5.32%, with the final payment due in the first quarter of 2019.

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

On May 14, 2014, the Village entered into a five-year capital lease for the purchase of a police cruiser. The total cost of the purchase was \$42,510, at an interest rate of 4.44%, with the final payment due in the fourth quarter of 2018.

On June 23, 2016, the Village entered into a three-year capital lease for the purchase of a lawn mower. The total cost of the purchase was \$6,665, at an interest rate of 4.25%, with the final payment of \$1 due in June 2019.

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

Year ending December 31:	Police Cruiser Capital Lease #1	Police Cruiser Capital Lease #2	Lawn Mower Capital Lease	Total
2018	\$ 9,510	\$ 9,399	\$ 2,340	\$ 21,249
2019	2,377	-	1	2,378
Total	<u>\$ 11,887</u>	<u>\$ 9,399</u>	<u>\$ 2,341</u>	<u>\$ 23,627</u>

Note 10 – Transfers

The Village obtained approval from the Hamilton County Court of Common Pleas to transfer the balance in the Law Enforcement Trust Fund to the General Fund. During 2017, the Village transferred \$26,312.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 144,007	\$ 59,899	\$ 203,906
Municipal Income Tax	498,869	-	498,869
Intergovernmental	34,600	71,459	106,059
Charges for Services	-	78,211	78,211
Fines, Licenses and Permits	51,325	2,801	54,126
Miscellaneous	896	93	989
<i>Total Cash Receipts</i>	<u>729,697</u>	<u>212,463</u>	<u>942,160</u>
Cash Disbursements			
Current:			
Security of Persons and Property	206,675	54,987	261,662
Leisure Time Activities	1,878	-	1,878
Basic Utility Service	-	67,782	67,782
Transportation	-	51,557	51,557
General Government	346,091	8,336	354,427
Capital Outlay	-	6,665	6,665
Debt Service:			
Principal Retirement	-	20,662	20,662
Interest and Fiscal Charges	-	2,964	2,964
<i>Total Cash Disbursements</i>	<u>554,644</u>	<u>212,953</u>	<u>767,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	175,053	(490)	174,563
Other Financing Receipts (Disbursements)			
Proceeds from Capital Lease	-	6,665	6,665
Sale of Fixed Assets	585	900	1,485
<i>Total Other Financing Receipts (Disbursements)</i>	<u>585</u>	<u>7,565</u>	<u>8,150</u>
<i>Net Change in Fund Cash Balances</i>	175,638	7,075	182,713
<i>Fund Cash Balances, January 1</i>	<u>190,263</u>	<u>168,668</u>	<u>358,931</u>
Fund Cash Balances, December 31			
Restricted	-	175,743	175,743
Assigned	242,320	-	242,320
Unassigned (Deficit)	123,581	-	123,581
<i>Fund Cash Balances, December 31</i>	<u>\$ 365,901</u>	<u>\$ 175,743</u>	<u>\$ 541,644</u>

See accompanying notes to the basic financial statements

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

	<u>Agency</u>
Non-Operating Receipts (Disbursements)	
Other Financing Sources	\$ 55,003
Other Financing Uses	(56,481)
<i>Total Non-Operating Receipts (Disbursements)</i>	(1,478)
<i>Fund Cash Balances, January 1</i>	5,650
<i>Fund Cash Balances, December 31</i>	\$ 4,172

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

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Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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Street Construction Maintenance and Repair Fund This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Waste Fund This fund receives revenue from waste/trash collection for payment of contracted services and maintenance of equipment and certain service department salary expenses.

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

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.

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Basis of Accounting

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 665,834	\$ 730,282	\$ 64,448
Special Revenue	203,636	220,028	16,392
Total	\$ 869,470	\$ 950,310	\$ 80,840

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 837,778	\$ 591,546	\$ 246,232
Special Revenue	296,079	213,732	82,347
Total	\$ 1,133,857	\$ 805,278	\$ 328,579

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$545,816

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

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

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

Income Taxes

The Village levies a municipal income tax of 2.1 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.

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

Note 6 – Risk Management

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

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

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 March 31, 2016, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

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 accumulated surplus at March 31, 2016:

Assets	\$1,272,779
Liabilities	(821,016)
Accumulated Surplus	<u>\$ 451,783</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
2014 Police Car Capital Lease #1	\$ 20,040	5.32%
2014 Police Car Capital Lease #2	17,764	4.44%
2016 Lawn Mower Capital Lease	4,442	4.25%
Total	\$ 42,246	

On February 21, 2014, the Village entered into a five-year capital lease for the purchase of a police cruiser. The total cost of the purchase was \$41,508, at an interest rate of 5.32%, with the final payment due in the first quarter of 2019.

On May 14, 2014, the Village entered into a five-year capital lease for the purchase of a police cruiser. The total cost of the purchase was \$42,510, at an interest rate of 4.44%, with the final payment due in the fourth quarter of 2018.

On June 23, 2016, the Village entered into a three-year capital lease for the purchase of a lawn mower. The total cost of the purchase was \$6,665, at an interest rate of 4.25%, with the final payment of \$1 due in June 2019.

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

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

Year ending December 31:	Police Cruiser Capital Lease #1	Police Cruiser Capital Lease #2	Lawn Mower Capital Lease	Total
2017	\$ 9,510	\$ 9,399	\$ 2,341	\$ 21,250
2018	9,510	9,399	2,340	21,249
2019	2,377	-	1	2,378
Total	<u>\$ 21,397</u>	<u>\$ 18,798</u>	<u>\$ 4,682</u>	<u>\$ 44,877</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S 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 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 Arlington Heights, Hamilton County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 15, 2018, 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.

Internal Controls 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 opinions 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider a material weakness. We consider finding 2017-01 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, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Findings

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.

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.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 15, 2018

Village of Arlington Heights, Ohio
Hamilton County
Schedule of Findings
December 31, 2017 and 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-01 – Audit Adjustments

Material Weakness - Financial Reporting

The following audit adjustments were made to the financial statements that were not initially identified by the Village's internal control:

- For 2016 an audit adjustment totaling \$550 was necessary to properly report principal payments for a police cruiser capital lease to the Police Levy Fund. The Village had recorded the payment in the General Fund.
- For 2016 an audit adjustment totaling \$6,665 was necessary to report proceeds from a capital lease and the related capital outlay expenditures. The Village did not record the transaction.
- For 2016 and 2017 audit adjustments totaling \$1,394 and \$3,909 respectively, were necessary to properly report property tax receipts and related expenses at gross amounts. The Village had recorded net receipt amounts and did not record the related charges assessed by the County.
- For 2016 and 2017 audit adjustments totaling \$2,607 and \$2,710 respectively, were necessary to properly classify and report principal and interest payments on various debt issues.
- For 2017 an audit adjustment totaling \$37,869 was necessary to properly classify and report a portion of the General Fund's unassigned fund cash balance to assigned fund balance for year end encumbrances in accordance with the requirements of GASB 54.
- For 2016 and 2017 the accounting system did not properly reflect budgeted receipts or appropriations as established by the certificate of estimated resources approved by the County Budget Commission or appropriations as approved by Village Council.

The Village's financial statements and footnotes have been adjusted to reflect the above adjustments.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Village's Response

The Village will be transitioning from Quickbooks to the UAN accounting system beginning in 2018. With it's implementation, the Village will address these issues to ensure they are properly recorded in the future.

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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
JULY, 31 2018