



Mary Taylor, CPA  
Auditor of State



**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis For the Years Ended December 31, 2007 and 2006 .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis December 31, 2007.....	11
Statement of Activities – Cash Basis For the Year Ended December 31, 2007 .....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds December 31, 2007.....	14
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2007 .....	16
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget Basis – General Fund For the Year Ended December 31, 2007 .....	18
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget Basis – Waste Fund For the Year Ended December 31, 2007 .....	19
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget Basis – Street Maintenance and Repair Fund For the Year Ended December 31, 2007 .....	20
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget Basis – Law Enforcement Trust Fund For the Year Ended December 31, 2007 .....	21
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis December 31, 2006.....	23
Statement of Activities – Cash Basis For the Year Ended December 31, 2006 .....	24

VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds December 31, 2006.....	26
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006.....	28
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget Basis – General Fund For the Year Ended December 31, 2006.....	30
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget Basis – Waste Fund For the Year Ended December 31, 2006.....	31
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget Basis – Street Maintenance and Repair Fund For the Year Ended December 31, 2006.....	32
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget Basis – Law Enforcement Trust Fund For the Year Ended December 31, 2006.....	33
Notes to the Financial Statements.....	35
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51
Schedule of Findings.....	53



# Mary Taylor, CPA

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 governmental activities, each major fund, and the aggregate remaining fund information of the Village of Arlington Heights, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Arlington Heights, Hamilton County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Waste Fund, Street Maintenance and Repair Fund and the Law Enforcement Trust Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2009, 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

May 1, 2009

Village of Arlington Heights  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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This discussion and analysis of the Village of Arlington Heights (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **Financial Highlights**

Key highlights are as follows:

- Net assets increased in 2006 by \$34,991 (or 9%), but decreased \$103,509 (or 24%) in 2007. The significant change in 2007 was due to a \$108,508 decrease in General Fund cash and cash equivalents.
- Total revenues decreased by \$59,654 (or 5%) in 2006 and by \$3,854 (or 0.5%) in 2007.
- The Village's general receipts are primarily property and income taxes. In 2006, property and income taxes represented 19% and 68%, respectively, of total general receipts, while in 2007, they represented 22% and 57%, respectively, of total general receipts.
- Total expenses decreased in 2006 by \$279,583 (or 21%), but increased \$134,646 (or 13%) in 2007. General Fund expenses increased in 2007 by \$79,217 (or 10%). For the Village's financial health, additional revenue sources or expense cuts must be considered.
- Proceeds from debt issuances totaled \$31,189 in 2006 and \$83,014 in 2007. The debt was obtained to purchase police cars and to pay the costs for water main improvements in the Village.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Government's cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Arlington Heights  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at each fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. The Village's basic services are reported here, including police and street maintenance. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has no business-type activities.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.

Village of Arlington Heights  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Waste Fund, Street Maintenance and Repair Fund, Law Enforcement Trust Fund and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village has one fiduciary fund which accounts for the Mayor's Court activity.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006, and for 2006 compared to 2005 on a cash basis:

(Table 1)  
**Net Assets**

<u>Governmental Activities</u>	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>2005</u>	<u>Variance</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$324,210	\$427,719	(\$103,509)	\$392,728	\$34,991
Total Assets	<u>\$324,210</u>	<u>\$427,719</u>	<u>(\$103,509)</u>	<u>\$392,728</u>	<u>\$34,991</u>
<b>Net Assets</b>					
Restricted for:					
Capital Projects	\$10,802	\$802	\$10,000	\$1,256	(\$454)
Debt Services	472	472	0	472	0
Waste	27,553	32,951	(5,398)	14,145	18,806
Street Maintenance and Repair	16,943	23,199	(6,256)	15,585	7,614
Law Enforcement Trust	37,492	17,524	19,968	23,386	(5,862)
Other Purposes	83,427	96,742	(13,315)	96,032	710
Unrestricted	<u>147,521</u>	<u>256,029</u>	<u>(108,508)</u>	<u>241,852</u>	<u>14,177</u>
Total Net Assets	<u>\$324,210</u>	<u>\$427,719</u>	<u>(\$103,509)</u>	<u>\$392,728</u>	<u>\$34,991</u>

As mentioned previously, net assets of governmental activities increased in 2006 by \$34,991 (or 9%), but decreased \$103,509 (or 24%) in 2007. The primary reasons contributing to the significant decrease in cash balances for 2007 are as follows:

- Total expenses increased by \$134,646 (or 13%) primarily due to increased employee wages.
- Property and income tax revenues decreased by \$33,663 (or 5%) due to decreases in local wages and levels of occupancy in the Village. Due to the slowing economy, local wages have not

Village of Arlington Heights  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

increased while unemployment rates are rising, resulting in less income tax revenue. The decline in property taxes stems from vacant homes and homes in foreclosure, along with the national lending crisis which has reduced the number of citizens moving into the Village.

Table 2 reflects the changes in net assets on a cash basis in 2007, 2006 and 2005 for governmental activities.

(Table 2)

**Changes in Net Assets**

Governmental Activities

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>2005</u>	<u>Variance</u>
Receipts:					
Program Receipts:					
Charges for Services and Sales	\$285,578	\$319,046	(\$33,468)	\$344,113	(\$25,067)
Operating Grants and Contributions	46,569	46,983	(414)	53,557	(6,574)
Total Program Receipts	<u>332,147</u>	<u>366,029</u>	<u>(33,882)</u>	<u>397,670</u>	<u>(31,641)</u>
General Receipts:					
Property & Income Taxes	584,259	617,922	(33,663)	546,615	71,307
Grants and Entitlements Not Restricted to Specific Programs	54,379	24,853	29,526	66,397	(41,544)
Notes Issued	83,014	31,189	51,825	36,534	(5,345)
Miscellaneous	16,893	34,553	(17,660)	86,984	(52,431)
Total General Receipts	<u>738,545</u>	<u>708,517</u>	<u>30,028</u>	<u>736,530</u>	<u>(28,013)</u>
Total Receipts	<u>1,070,692</u>	<u>1,074,546</u>	<u>(3,854)</u>	<u>1,134,200</u>	<u>(59,654)</u>
Disbursements:					
General Government	562,456	511,287	51,169	454,939	56,348
Security of Persons and Property	411,700	362,401	49,299	408,569	(46,168)
Leisure Time Activities	15,138	16,061	(923)	15,263	798
Basic Utility Services	65,929	50,582	15,347	68,008	(17,426)
Transportation	56,206	37,717	18,489	52,377	(14,660)
Capital Outlay	0	10,732	(10,732)	313,855	(303,123)
Debt Service	62,772	50,775	11,997	6,127	44,648
Total Disbursements	<u>1,174,201</u>	<u>1,039,555</u>	<u>134,646</u>	<u>1,319,138</u>	<u>(279,583)</u>
Increase (Decrease) in Net Assets	(103,509)	34,991	(138,500)	(184,938)	219,929
Net Assets, January 1	<u>427,719</u>	<u>392,728</u>	<u>34,991</u>	<u>577,666</u>	<u>(184,938)</u>
Net Assets, December 31	<u>\$324,210</u>	<u>\$427,719</u>	<u>(\$103,509)</u>	<u>\$392,728</u>	<u>\$34,991</u>

Program receipts represented 31%, 34% and 35% of total receipts for 2007, 2006 and 2005 respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, charges for waste removal and water administered by the City of Cincinnati Water Works and charges for paramedic services provided under contract by the City of Wyoming.

Village of Arlington Heights  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

General receipts represent 69%, 66% and 65% of total receipts for 2007, 2006 and 2005 respectively. Of this amount, 79%, 87% and 74% for 2007, 2006 and 2005 respectively are from property and income tax receipts. State and federal grants and entitlements, note proceeds and miscellaneous receipts make up the balance of the Village's general receipts (21%, 13% and 26% for 2007, 2006 and 2005 respectively).

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council and the fiscal officer, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the park; and Transportation is the cost of maintaining the roads.

General Government and Security of Persons and Property expenses increased by \$51,169 (or 10%) and \$49,299 (or 14%) respectively for 2007 due to increases to employee wages.

**Governmental Activities**

If you look at the Statement of Activities (page 12 for 2007 and page 22 for 2006), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation, basic utility services, and security of persons and property, which account for 5%, 6% and 35% of all governmental disbursements in 2007, and 4%, 5%, and 35% of all governmental disbursements in 2006, respectively. General government represents the most significant cost, 48% and 49% of all governmental disbursements for 2007 and 2006, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	<b>Governmental Activities</b>					
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006	2005	2005
General Government	\$562,456	\$562,456	\$511,287	\$511,287	\$454,939	\$454,939
Security of Persons and Property	411,700	189,507	362,401	114,947	408,569	165,797
Leisure Time Activities	15,138	15,138	16,061	16,061	15,263	15,263
Basic Utility Services	65,929	2,544	50,582	(21,010)	68,006	(86,890)
Transportation	56,206	9,637	37,717	(9,266)	52,377	52,377
Capital Outlay	0	0	10,732	10,732	313,855	313,855
Debt Retirement	62,772	62,772	50,775	50,775	6,127	6,127
<b>Total Expenses</b>	<b>\$1,174,201</b>	<b>\$842,054</b>	<b>\$1,039,555</b>	<b>\$673,526</b>	<b>\$1,319,136</b>	<b>\$921,468</b>

The dependence upon property and income tax receipts is apparent as 69%, 66% and 65% of governmental activities for 2007, 2006 and 2005, respectively, are supported through general receipts of which taxes are the primary component.

The water operation of the Village is relatively small and is administered by the City of Cincinnati Water Works. Waste collection is performed by Rumpke, while customer billings are also administered by the City of Cincinnati Water Works.

Village of Arlington Heights  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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**The Village's Funds**

Total governmental funds had receipts of \$1,070,692 and \$1,074,546 and disbursements of \$1,174,201 and \$1,039,555 for 2007 and 2006, respectively. The governmental fund balances decreased by \$103,509 in 2007 and increased by \$34,991 in 2006. The greatest change within governmental funds occurred within the General Fund in 2007.

The fund balance of the General Fund decreased \$108,508 in 2007 and increased by \$14,177 in 2006. The change in 2007 is due primarily to increased costs for salaries and benefits and not achieving anticipated growth in income and property tax receipts.

The fund balance for the Waste Fund decreased by \$5,398 in 2007 and increased by \$18,806 in 2006. During 2007, the Village entered into a contract with the City of Cincinnati Water Works Department to begin trash service collection from residents. This resulted in fees being paid to the City during 2007.

The fund balance for the Street Maintenance & Repair Fund decreased by \$6,256 in 2007 and increased by \$7,614 in 2006. The increase in expenditures in 2007 related to additional street projects being undertaken.

The fund balance for the Law Enforcement Trust Fund increased by \$19,968 in 2007 and decreased by \$5,862 in 2006. These changes resulted from an increase in intergovernmental revenue as a result of a state grant received in 2007.

General Fund receipts were less than disbursements by \$174,722 indicating that the General Fund is in a deficit spending situation. The Village Council and administration determined that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. As discussed in Note 16 to the basic financial statements, the Village Council disbanded the fire department and authorized a contract with the City of Reading for fire protection resulting in a projected cost reduction for 2009. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes remains stagnant.

**Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007, the Village did not amend its General Fund budget. The difference between final budgeted receipts and actual receipts was not significant. Final disbursements were budgeted at \$987,129 while actual budgetary disbursements were \$873,313.

The Village's original General Fund budget included a bleak spending deficit of receipts less disbursements of \$292,289 and an anticipated deficit ending fund balance of (\$13,060). Although disbursements ended up being \$113,816 less than expectations, the General Fund still had disbursements over receipts of \$178,094. The result is the decrease in fund balance of \$111,880 for 2007.

For the other Major Special Revenue Funds of the Village, the Village did not significantly amend its budget during 2007. For the Waste Fund, Street Maintenance and Repair Fund and the Law Enforcement Trust Fund, the Village maintained expenditures levels below the budgeted amount. Revenues were also greater for the Street Maintenance and Repair Fund and the Law Enforcement Trust Fund, and were slightly less for the Waste Fund. These conditions resulted in higher fund balances than were projected for each of these funds. The Waste Fund ended with a fund balance of \$27,507

Village of Arlington Heights  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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compared to a budgeted fund balance of \$4,701. The Street Maintenance and Repair Fund ended with a fund balance of \$16,652 compared to a budgeted fund balance of \$0. The Law Enforcement Trust Fund ended with a fund balance of \$37,492 compared to a budgeted fund balance of \$0.

During 2006, the Village did not amend its General Fund budget. Final receipts were budgeted at \$617,000 while actual receipts were \$790,512. The variance in actual receipts was due to the Village's expectation that property and income taxes would shrink significantly in 2006. Instead, General Fund receipts remained at 2005 levels. Final disbursements were budgeted at \$891,901 while actual budgetary disbursements were \$794,082.

The Village's original General Fund budget included a bleak spending deficit receipts less disbursements of \$274,901 and an anticipated ending fund balance of just \$151. Despite receipts out performing expectations by \$173,512 and disbursements being \$97,819 less than anticipated, the General Fund still had disbursements over receipts of \$3,570.

For the other Major Special Revenue Funds of the Village, the Village did not significantly amend its budget during 2006. For the Waste Fund, Street Maintenance and Repair Fund and the Law Enforcement Trust Fund, the Village maintained expenditures levels below the budgeted amount and revenues were greater than expected. These conditions resulted in higher fund balances than were projected for each of these funds. The Waste Fund ended with a fund balance of \$28,250 compared to a budgeted fund balance of \$48. The Street Maintenance and Repair Fund ended with a fund balance of \$23,199 compared to a budgeted fund balance of \$0. The Law Enforcement Trust Fund ended with a fund balance of \$17,524 compared to a budgeted fund balance of \$0.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

#### **Debt**

The Village's outstanding debt included \$74,120 and \$64,780 in general obligation bonds issued for improvements to buildings and structures as of December 31, 2006 and 2007, respectively. The bonds accounted for 53% and 35% of the Village's total outstanding debt for 2006 and 2007, respectively. In 2007, the Village obtained a \$50,000 commercial note to pay for the costs of a water main project replacement. This note accounted for another 27% of the Village's total outstanding debt at December 31, 2007. The Village has several other smaller notes. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

### **Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2009; therefore, to continue to promote our current level of services additional revenue will need to be obtained or expense cuts will have to be implemented. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village.

On October 27, 2008 (with an effective date of January 1, 2009), the Village Council disbanded the Fire Department and Life Squad Service, its paid employees and volunteers. Also, the Village entered into a contract with the City of Reading to provide fire prevention and protection services, emergency medical transport and paramedic services for the Village, which will result in a net savings to the Village.

Village of Arlington Heights  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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However, these cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes remains stagnant.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Elizabeth Barnett, Fiscal Officer, Village of Arlington Heights, 60 Elliot Avenue, Arlington Heights, Ohio 45215.

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2007*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$324,210</u>
<i>Total Assets</i>	<u><u>\$324,210</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$10,802
Debt Service	472
Waste	27,553
Street Maintenance and Repair	16,943
Law Enforcement Trust	37,492
Other Purposes	83,427
Unrestricted	<u>147,521</u>
<i>Total Net Assets</i>	<u><u>\$324,210</u></u>

See accompanying notes to the basic financial statements

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2007*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$562,456	\$0	\$0	(\$562,456)
Security of Persons and Property	411,700	222,193		(189,507)
Leisure Time Activities	15,138			(15,138)
Basic Utility Services	65,929	63,385		(2,544)
Transportation	56,206		46,569	(9,637)
Debt Service:				
Principal Retirement	52,093			(52,093)
Interest and Fiscal Charges	10,679			(10,679)
<i>Total Governmental Activities</i>	<u>\$1,174,201</u>	<u>\$285,578</u>	<u>\$46,569</u>	<u>(842,054)</u>
<b>General Receipts</b>				
Property Taxes				163,227
Municipal Income Taxes				421,032
Grants and Entitlements not Restricted to Specific Programs				54,379
Notes Issued				83,014
Miscellaneous				16,893
<i>Total General Receipts</i>				<u>738,545</u>
Change in Net Assets				(103,509)
<i>Net Assets Beginning of Year</i>				<u>427,719</u>
<i>Net Assets End of Year</i>				<u><u>\$324,210</u></u>

See accompanying notes to the basic financial statements

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**Village of Arlington Heights**

**Hamilton County**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2007*

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	<u>General</u>	<u>Waste Fund</u>	<u>Street Maintenance &amp; Repair Fund</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$147,521	\$27,553	\$16,943
<i>Total Assets</i>	<u>\$147,521</u>	<u>\$27,553</u>	<u>\$16,943</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$3,372	\$46	\$291
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	\$144,149		
Special Revenue Funds		27,507	\$16,652
Debt Service Fund			
Capital Projects Funds			
<i>Total Fund Balances</i>	<u>\$147,521</u>	<u>\$27,553</u>	<u>\$16,943</u>

See accompanying notes to the basic financial statements

Law Enforcement Trust Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$37,492	\$10,802	\$83,899	\$324,210
<u>\$37,492</u>	<u>\$10,802</u>	<u>\$83,899</u>	<u>\$324,210</u>
\$0	\$0	\$748	\$4,457
			144,149
37,492		82,679	164,330
		472	472
	10,802		10,802
<u>\$37,492</u>	<u>\$10,802</u>	<u>\$83,899</u>	<u>\$324,210</u>

**Village of Arlington Heights****Hamilton County***Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**Governmental Funds**For the Year Ended December 31, 2007*

	General	Waste Fund	Street Maintenance & Repair Fund
<b>Receipts</b>			
Property and Other Local Taxes	\$500,522	\$0	\$0
Charges for Services		63,385	
Fines, Licenses and Permits	163,880		
Intergovernmental	13,924		46,569
Miscellaneous	16,893		
<i>Total Receipts</i>	<u>695,219</u>	<u>63,385</u>	<u>46,569</u>
<b>Disbursements</b>			
Current:			
General Government	516,530	104	
Security of Persons and Property	283,667		
Leisure Time Activities	15,138		
Basic Utility Services		65,929	
Transportation			49,709
Capital Outlay			
Debt Service:			
Principal Retirement	44,673	2,499	2,286
Interest and Fiscal Charges	9,933	251	230
<i>Total Disbursements</i>	<u>869,941</u>	<u>68,783</u>	<u>52,225</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(174,722)</u>	<u>(5,398)</u>	<u>(5,656)</u>
<b>Other Financing Sources (Uses)</b>			
Notes Issued	83,014		
Transfers In			
Transfers Out	(31,800)		(600)
Advances In	20,000		
Advances Out	(5,000)		
<i>Total Other Financing Sources (Uses)</i>	<u>66,214</u>	<u>0</u>	<u>(600)</u>
<i>Net Change in Fund Balances</i>	(108,508)	(5,398)	(6,256)
<i>Fund Balances Beginning of Year</i>	<u>256,029</u>	<u>32,951</u>	<u>23,199</u>
<i>Fund Balances End of Year</i>	<u><u>\$147,521</u></u>	<u><u>\$27,553</u></u>	<u><u>\$16,943</u></u>

See accompanying notes to the basic financial statements

Law Enforcement Trust Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$83,737	\$584,259
		32,768	96,153
8,900		16,645	189,425
23,399		17,056	100,948
			16,893
<u>32,299</u>	<u>0</u>	<u>150,206</u>	<u>987,678</u>
		45,822	562,456
12,331		115,702	411,700
			15,138
			65,929
		6,497	56,206
			0
		2,635	52,093
		265	10,679
<u>12,331</u>	<u>0</u>	<u>170,921</u>	<u>1,174,201</u>
<u>19,968</u>	<u>0</u>	<u>(20,715)</u>	<u>(186,523)</u>
			83,014
	10,000	22,700	32,700
		(300)	(32,700)
		5,000	25,000
		(20,000)	(25,000)
<u>0</u>	<u>10,000</u>	<u>7,400</u>	<u>83,014</u>
19,968	10,000	(13,315)	(103,509)
<u>17,524</u>	<u>802</u>	<u>97,214</u>	<u>427,719</u>
<u>\$37,492</u>	<u>\$10,802</u>	<u>\$83,899</u>	<u>\$324,210</u>

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$483,000	\$483,000	\$500,522	\$17,522
Fines, Licenses and Permits	175,000	175,000	163,880	(11,120)
Intergovernmental	8,100	8,100	13,924	5,824
Miscellaneous	28,740	28,740	16,893	(11,847)
<i>Total receipts</i>	<u>694,840</u>	<u>694,840</u>	<u>695,219</u>	<u>379</u>
<b>Disbursements</b>				
Current:				
General Government	663,463	619,931	519,902	100,029
Security of Persons and Property	295,341	284,267	283,667	600
Leisure Time Activities	28,325	28,325	15,138	13,187
Debt Service:				
Principal Retirement	0	44,673	44,673	0
Interest and Fiscal Charges	0	9,933	9,933	0
<i>Total Disbursements</i>	<u>987,129</u>	<u>987,129</u>	<u>873,313</u>	<u>113,816</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(292,289)</u>	<u>(292,289)</u>	<u>(178,094)</u>	<u>114,195</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	45,000	45,000	83,014	38,014
Transfers Out	(21,800)	(21,800)	(31,800)	(10,000)
Advances In	20,000	20,000	20,000	0
Advances Out	(20,000)	(20,000)	(5,000)	15,000
<i>Total Other Financing Sources (Uses)</i>	<u>23,200</u>	<u>23,200</u>	<u>66,214</u>	<u>43,014</u>
<i>Net Change in Fund Balance</i>	(269,089)	(269,089)	(111,880)	157,209
<i>Fund Balance Beginning of Year</i>	252,671	252,671	252,671	0
Prior Year Encumbrances Appropriated	3,358	3,358	3,358	0
<i>Fund Balance End of Year</i>	<u>(\$13,060)</u>	<u>(\$13,060)</u>	<u>\$144,149</u>	<u>\$157,209</u>

See accompanying notes to the basic financial statements

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Waste Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Charges for Services	\$67,000	\$67,000	\$63,385	(\$3,615)
<i>Total receipts</i>	<u>67,000</u>	<u>67,000</u>	<u>63,385</u>	<u>(3,615)</u>
<b>Disbursements</b>				
Current:				
General Government		104	104	0
Basic Utility Services	95,250	92,396	65,975	26,421
Debt Service:				
Principal Retirement	0	2,499	2,499	0
Interest and Fiscal Charges	0	251	251	0
<i>Total Disbursements</i>	<u>95,250</u>	<u>95,250</u>	<u>68,829</u>	<u>26,421</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,250)</u>	<u>(28,250)</u>	<u>(5,444)</u>	<u>22,806</u>
<i>Fund Balance Beginning of Year</i>	28,250	28,250	28,250	0
Prior Year Encumbrances Appropriated	<u>4,701</u>	<u>4,701</u>	<u>4,701</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,701</u></u>	<u><u>\$4,701</u></u>	<u><u>\$27,507</u></u>	<u><u>\$22,806</u></u>

See accompanying notes to the basic financial statements

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Street Maintenance and Repair Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$40,000	\$40,000	\$46,569	6,569
<i>Total receipts</i>	<u>40,000</u>	<u>40,000</u>	<u>46,569</u>	<u>6,569</u>
<b>Disbursements</b>				
Current:				
Transportation	62,599	60,083	50,000	10,083
Debt Service:				
Principal Retirement	0	2,286	2,286	0
Interest and Fiscal Charges	0	230	230	0
<i>Total Disbursements</i>	<u>62,599</u>	<u>62,599</u>	<u>52,516</u>	<u>10,083</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,599)</u>	<u>(22,599)</u>	<u>(5,947)</u>	<u>16,652</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(600)	(600)	(600)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(23,199)	(23,199)	(6,547)	16,652
<i>Fund Balance Beginning of Year</i>	23,199	23,199	23,199	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$16,652</u>	<u>\$16,652</u>

See accompanying notes to the basic financial statements

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Law Enforcement Trust Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Fines, Licenses and Permits	\$15,000	\$15,000	\$8,900	(\$6,100)
Intergovernmental			23,399	23,399
<i>Total receipts</i>	<u>15,000</u>	<u>15,000</u>	<u>32,299</u>	<u>17,299</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	<u>32,524</u>	<u>32,524</u>	<u>12,331</u>	<u>20,193</u>
<i>Total Disbursements</i>	<u>32,524</u>	<u>32,524</u>	<u>12,331</u>	<u>20,193</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,524)</u>	<u>(17,524)</u>	<u>19,968</u>	<u>37,492</u>
<i>Fund Balance Beginning of Year</i>	17,524	17,524	17,524	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$37,492</u></u>	<u><u>\$37,492</u></u>

See accompanying notes to the basic financial statements

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**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$427,719
<i>Total Assets</i>	\$427,719
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$802
Debt Service	472
Waste	32,951
Street Maintenance and Repair	23,199
Law Enforcement Trust	17,524
Other Purposes	96,742
Unrestricted	256,029
<i>Total Net Assets</i>	\$427,719

See accompanying notes to the basic financial statements

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$511,287	\$0	\$0	(\$511,287)
Security of Persons and Property	362,401	247,454		(114,947)
Leisure Time Activities	16,061			(16,061)
Basic Utility Services	50,582	71,592		21,010
Transportation	37,717		46,983	9,266
Capital Outlay	10,732			(10,732)
Debt Service:				
Principal Retirement	40,037			(40,037)
Interest and Fiscal Charges	10,738			(10,738)
<i>Total Governmental Activities</i>	<u>\$1,039,555</u>	<u>\$319,046</u>	<u>\$46,983</u>	<u>(673,526)</u>
<b>General Receipts</b>				
Property Taxes				138,681
Municipal Income Taxes				479,241
Grants and Entitlements not Restricted to Specific Programs				24,853
Notes Issued				31,189
Miscellaneous				34,553
Total General Receipts				<u>708,517</u>
Change in Net Assets				34,991
Net Assets Beginning of Year				<u>392,728</u>
Net Assets End of Year				<u>\$427,719</u>

See accompanying notes to the basic financial statements

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**Village of Arlington Heights**

**Hamilton County**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2006*

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	<u>General</u>	<u>Waste Fund</u>	<u>Street Maintenance &amp; Repair Fund</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$256,029	\$32,951	\$23,199
<i>Total Assets</i>	<u>\$256,029</u>	<u>\$32,951</u>	<u>\$23,199</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$3,358	\$4,701	\$0
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	252,671		
Special Revenue Funds		28,250	23,199
Debt Service Fund			
Capital Projects Funds			
<i>Total Fund Balances</i>	<u>\$256,029</u>	<u>\$32,951</u>	<u>\$23,199</u>

See accompanying notes to the basic financial statements

Law Enforcement Trust Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$17,524	\$802	\$97,214	\$427,719
\$17,524	\$802	\$97,214	\$427,719
\$0	\$0	\$0	\$8,059
17,524		96,742	252,671
		472	165,715
	802		472
\$17,524	\$802	\$97,214	\$427,719

**Village of Arlington Heights****Hamilton County***Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**Governmental Funds**For the Year Ended December 31, 2006*

	General	Waste Fund	Street Maintenance & Repair Fund
<b>Receipts</b>			
Property and Other Local Taxes	\$558,849	\$0	\$0
Charges for Services		71,592	
Fines, Licenses and Permits	185,331		
Intergovernmental	11,779		46,983
Miscellaneous	34,553		
<i>Total Receipts</i>	<u>790,512</u>	<u>71,592</u>	<u>46,983</u>
<b>Disbursements</b>			
Current:			
General Government	492,378	204	
Security of Persons and Property	258,923		
Leisure Time Activities	16,061		
Basic Utility Services		50,582	
Transportation			34,241
Capital Outlay			
Debt Service:			
Principal Retirement	18,701	1,739	3,938
Interest and Fiscal Charges	4,661	261	590
<i>Total Disbursements</i>	<u>790,724</u>	<u>52,786</u>	<u>38,769</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(212)</u>	<u>18,806</u>	<u>8,214</u>
<b>Other Financing Sources (Uses)</b>			
Notes Issued	31,189		
Transfers In			
Transfers Out	(1,800)		(600)
Advances In	5,000		
Advances Out	(20,000)		
<i>Total Other Financing Sources (Uses)</i>	<u>14,389</u>	<u>0</u>	<u>(600)</u>
<i>Net Change in Fund Balances</i>	14,177	18,806	7,614
<i>Fund Balances Beginning of Year</i>	<u>241,852</u>	<u>14,145</u>	<u>15,585</u>
<i>Fund Balances End of Year</i>	<u><u>\$256,029</u></u>	<u><u>\$32,951</u></u>	<u><u>\$23,199</u></u>

See accompanying notes to the basic financial statements

Law Enforcement Trust Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$59,073	\$617,922
		27,968	99,560
16,351		17,804	219,486
		13,074	71,836
			34,553
<u>16,351</u>	<u>0</u>	<u>117,919</u>	<u>1,043,357</u>
		18,705	511,287
22,213		81,265	362,401
			16,061
			50,582
		3,476	37,717
	454	10,278	10,732
			0
		15,659	40,037
		5,226	10,738
<u>22,213</u>	<u>454</u>	<u>134,609</u>	<u>1,039,555</u>
<u>(5,862)</u>	<u>(454)</u>	<u>(16,690)</u>	<u>3,802</u>
			31,189
		2,700	2,700
		(300)	(2,700)
		20,000	25,000
		(5,000)	(25,000)
<u>0</u>	<u>0</u>	<u>17,400</u>	<u>31,189</u>
<u>(5,862)</u>	<u>(454)</u>	<u>710</u>	<u>34,991</u>
<u>23,386</u>	<u>1,256</u>	<u>96,504</u>	<u>392,728</u>
<u>\$17,524</u>	<u>\$802</u>	<u>\$97,214</u>	<u>\$427,719</u>

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$444,522	\$444,522	\$558,849	\$114,327
Fines, Licenses and Permits	120,000	120,000	185,331	65,331
Intergovernmental	8,520	8,520	11,779	3,259
Miscellaneous	43,958	43,958	34,553	(9,405)
<i>Total receipts</i>	<u>617,000</u>	<u>617,000</u>	<u>790,512</u>	<u>173,512</u>
<b>Disbursements</b>				
Current:				
General Government	573,838	561,550	495,736	65,814
Security of Persons and Property	296,663	285,589	258,923	26,666
Leisure Time Activities	21,400	21,400	16,061	5,339
Debt Service:				
Principal Retirement		18,701	18,701	0
Interest and Fiscal Charges		4,661	4,661	0
<i>Total Disbursements</i>	<u>891,901</u>	<u>891,901</u>	<u>794,082</u>	<u>97,819</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(274,901)</u>	<u>(274,901)</u>	<u>(3,570)</u>	<u>271,331</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	30,000	30,000	31,189	1,189
Transfers Out	(1,800)	(1,800)	(1,800)	0
Advances In	5,000	5,000	5,000	0
Advances Out	0	0	(20,000)	(20,000)
<i>Total Other Financing Sources (Uses)</i>	<u>33,200</u>	<u>33,200</u>	<u>14,389</u>	<u>(18,811)</u>
<i>Net Change in Fund Balance</i>	(241,701)	(241,701)	10,819	252,520
<i>Fund Balance Beginning of Year</i>	241,701	241,701	241,701	0
Prior Year Encumbrances Appropriated	151	151	151	0
<i>Fund Balance End of Year</i>	<u>\$151</u>	<u>\$151</u>	<u>\$252,671</u>	<u>\$252,520</u>

See accompanying notes to the basic financial statements

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Waste Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
<b>Receipts</b>				
Charges for Services	\$70,000	\$70,000	\$71,592	\$1,592
<i>Total receipts</i>	<u>70,000</u>	<u>70,000</u>	<u>71,592</u>	<u>1,592</u>
<b>Disbursements</b>				
Current:				
General Government			204	(204)
Basic Utility Services	84,097	82,097	55,283	26,814
Debt Service:				
Principal Retirement		1,739	1,739	0
Interest and Fiscal Charges		261	261	0
<i>Total Disbursements</i>	<u>84,097</u>	<u>84,097</u>	<u>57,487</u>	<u>26,610</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,097)</u>	<u>(14,097)</u>	<u>14,105</u>	<u>28,202</u>
<i>Fund Balance Beginning of Year</i>	14,097	14,097	14,097	0
Prior Year Encumbrances Appropriated	<u>48</u>	<u>48</u>	<u>48</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$48</u></u>	<u><u>\$48</u></u>	<u><u>\$28,250</u></u>	<u><u>\$28,202</u></u>

See accompanying notes to the basic financial statements

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Street Maintenance and Repair Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$30,000	\$45,000	\$46,983	1,983
Total receipts	<u>30,000</u>	<u>45,000</u>	<u>46,983</u>	<u>1,983</u>
<b>Disbursements</b>				
Current:				
Transportation	44,985	55,457	34,241	21,216
Debt Service:				
Principal Retirement		3,938	3,938	0
Interest and Fiscal Charges		590	590	0
Total Disbursements	<u>44,985</u>	<u>59,985</u>	<u>38,769</u>	<u>21,216</u>
Excess of Receipts Over (Under) Disbursements	<u>(14,985)</u>	<u>(14,985)</u>	<u>8,214</u>	<u>23,199</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>	<u>0</u>
Net Change in Fund Balance	(15,585)	(15,585)	7,614	23,199
Fund Balance Beginning of Year	15,585	15,585	15,585	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$23,199</u>	<u>\$23,199</u>

See accompanying notes to the basic financial statements

**Village of Arlington Heights**  
**Hamilton County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Law Enforcement Trust Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Fines, Licenses and Permits	\$13,000	\$13,000	\$16,351	\$3,351
<i>Total receipts</i>	<u>13,000</u>	<u>13,000</u>	<u>16,351</u>	<u>3,351</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	36,386	36,386	22,213	14,173
<i>Total Disbursements</i>	<u>36,386</u>	<u>36,386</u>	<u>22,213</u>	<u>14,173</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,386)</u>	<u>(23,386)</u>	<u>(5,862)</u>	<u>17,524</u>
<i>Fund Balance Beginning of Year</i>	23,386	23,386	23,386	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$17,524</u></u>	<u><u>\$17,524</u></u>

See accompanying notes to the basic financial statements

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**Note 1 – Reporting Entity**

The Village of Arlington Heights, Hamilton County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, waste (trash) removal, maintenance of Village roads and bridges, park operations, and police and fire protection services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village has no component units.

**C. Public Entity Risk Pools**

The Village participates in the Ohio Municipal Joint Self-Insurance public entity risk pool for property and casualty insurance. Note 15 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**

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

The Village does not have any business-type activities.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

The Village does not have any proprietary funds.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Waste Fund, Street Maintenance and Repair Fund, Law Enforcement Trust Fund and the Capital Projects Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for 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.

The Waste Fund is used to account for activities related to the Village's contract for trash removal services for residents and revenue derived from fees charged to the residents for these services.

The Street Maintenance and Repair Fund is used to account for gasoline tax and motor vehicle tax money received and the disbursement of those funds for constructing, maintaining, and repairing Village streets.

The Law Enforcement Trust Fund is used to account for fines and licenses received from the Court along with grants received from the State of Ohio and the disbursement of those funds for security of persons and property.

The Capital Projects Fund is used to account for transfers received from the General Fund and is used to account for various capital projects not requiring a specific, separate fund.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

The Village does not have any proprietary funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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 has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's only agency fund is the Mayor's Court which accounts for the collection and distribution of fines to various agencies as outlined by the Ohio Revised Code. The Mayor's Court had no balance as of December 31, 2007 and December 31, 2006, therefore no Statement of Net Assets - Fiduciary is reported.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

Interest receipts credited to the General Fund during 2007 and 2006 totaled \$1,603 and \$2,613 respectively.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets were restricted for the Capital Projects Fund, Debt Service Fund, Waste Fund, Street Maintenance and Repair Fund, Law Enforcement Trust Fund and other purposes which include resources restricted for operations of the fire department and maintenance of roads.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Compliance**

The Village did not properly reflect certain accounting transactions to the correct fund and account on the Village's accounting records as required by Ohio Revised Code Section 733.28 and Ohio Administrative Code Section 117-2-02.

The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments as required by Ohio Revised Code Section 5705.41(D)(1).

The Village could not provide detail support documentation for certain receipt transactions and details related to each batch of receipts for some of the waste (trash removal) collections received by the Village in 2006 and during part of 2007. Contrary to Ohio Revised Code Section 149.351(A), the Village did not retain all public records related to these receipts and the details related to all of the receipt batches.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Waste Fund, Street Maintenance and Repair Fund, and the Law Enforcement Trust Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for 2007 and 2006 respectively amounted to \$3,372 and \$3,358 for the General Fund; \$0 and \$4,701 for the Waste Fund; \$291 and \$0 for the Street Maintenance and Repair Fund and \$46 and \$748 for the Other Governmental Funds.

**Note 5 – Deposits**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 5 – Deposits** (continued)

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2007 and 2006 respectively, \$232,823 and \$337,972 of the Village's bank balance of \$342,530 and \$443,883 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 6 – Income Taxes**

The Village levies a 2.1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 1 percent of the 2.1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$11.52 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$ 7,743,560
Public Utility Property	558,750
Tangible Personal Property	<u>4,349,610</u>
Total Assessed Values	<u><u>\$ 12,651,920</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

**Note 8 – Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007 and 2006, the Village participated in the Ohio Municipal Joint Self-Insurance Pool as discussed in Note 15.

Company	Type of Coverage	Amount of Coverage
Ohio Municipal Joint Self-Insurance Pool	Commerical Property	\$ 1,305,398
	General Liability	1,000,000
	Commerical Crime	1,000,000
	Vehicle	Various
	Errors and Omissions	1,000,000
	Public Officials	1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**Note 9 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007 and 2006, members in state and local classifications contributed 9.5 percent and 9 percent, respectively, of covered payroll, and law enforcement members contributed 10.1 percent.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 9 – Defined Benefit Pension Plans** (continued)

The Village's contribution rate for 2007 and 2006 was 13.85 percent and 13.7 percent respectively. For the period January 1 through June 30, 2007, a portion of the Village's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for law enforcement, where the maximum employer contribution rate is 18.1 percent.

The full amount has been contributed for 2007 and 2006.

**B. Ohio Police and Fire Pension Fund**

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2007 and 2006, a portion of the Village's contribution equal to 7.75 percent and 6.75 percent, respectively, of covered payroll was allocated to fund the postemployment healthcare plan. The full amount has been contributed for 2007 and 2006.

**Note 10 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 10 – Postemployment Benefits** (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007 and 2006, local government employers contributed 13.85 percent and 13.7 percent, respectively, of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The full amount has been contributed for 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

**B. Ohio Police and Fire Pension Fund**

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post -employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007 and 2006, the employer contribution allocated to the healthcare plan was 7.75 percent and 6.75 percent, respectively, of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

**Note 10 – Postemployment Benefits** (continued)

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The full amount has been contributed for 2007 and 2006.

**Note 11 – Debt**

Debt outstanding at December 31, 2007 and 2006 was as follows:

*For the year Ended December 31, 2007:*

Governmental Activities	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
General Obligation Bldg						
Improvement Bonds	4.09%	\$ 74,120	\$0	\$9,340	\$ 64,780	\$ 9,740
Dump Truck Loan	5.05%	14,833	0	7,417	7,416	7,416
2005 Police Car Loan	4.40%	20,767	0	10,160	10,607	10,607
2006 Police Car Loan	4.67%	31,189	0	10,396	20,793	10,396
Water Main Proj. Loan	5.10%	0	50,000	0	50,000	7,332
2007 Police Car Loan	5.22%	0	33,000	0	33,000	11,000
<b>Total</b>		<b>\$ 140,909</b>	<b>\$ 83,000</b>	<b>\$ 37,313</b>	<b>\$ 186,596</b>	<b>\$ 56,491</b>

*For the year ended December 31, 2006:*

Governmental Activities	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
General Obligation Bldg						
Improvement Bonds	4.09%	\$ 83,100	\$0	\$8,980	\$ 74,120	\$ 9,340
Dump Truck Loan	5.05%	22,250	0	7,417	14,833	7,417
2005 Police Car Loan	4.40%	30,499	0	9,732	20,767	10,160
2006 Police Car Loan	4.67%	0	31,189	0	31,189	10,396
<b>Total</b>		<b>\$ 135,849</b>	<b>\$ 31,189</b>	<b>\$ 26,129</b>	<b>\$ 140,909</b>	<b>\$ 37,313</b>

The general obligation 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 annual principal and interest payments.

The Dump Truck Loan was obtained in 2005 for the purpose of purchasing a dump truck. The commercial loan principal and interest will be repaid in annual payments over three years.

The 2005 Police Car Loan was obtained for the purpose of purchasing a police car. The commercial loan will be repaid in annual installments of \$11,074, including interest, over three years.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

**Note 11 – Debt** (continued)

The 2006 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 three years.

The Water Main Project Loan was obtained in 2007 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 of \$9,882, including interest, over five years.

The 2007 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 three years.

All note proceeds had been spent at December 31, 2007.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Debt Principal	Interest
2008	\$56,491	\$5,503
2009	39,233	3,810
2010	29,659	2,357
2011	19,502	1,370
2012	20,387	936
2013-2017	21,324	480
Total	<u>\$186,596</u>	<u>\$14,456</u>

**Note 12 – Leases**

The Village leases a Seagrave Pumper Truck and a Fire Truck under noncancelable leases. The Village disbursed \$18,855 in both 2007 and 2006 to pay lease costs. Future lease payments are as follows:

Year	Amount
2008	\$ 18,884
2009	13,490
2010	13,490
Total	<u>\$ 45,864</u>

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

**Note 13 – Interfund Transfers**

The Village made the following transfers:

	2007	2006
Transfers from the General Fund to:		
Major Governmental Fund - Capital Projects Fund	\$10,000	\$0
Other Governmental Funds	21,800	1,800
Sub-Total:	31,800	1,800
Transfers from the Street Maintenance & Repair Fund to:		
Other Governmental Funds	600	600
Transfers from Other Governmental Funds (Special Motor Vehicle) to:		
Other Governmental Funds	300	300
Total Transfers:	\$32,700	\$2,700

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In 1988, the Village established an Accumulative Sick Leave Compensation Fund for the purpose of accumulating resources to meet expenditure needs related to costs due upon the retirement or death of an employee. This fund is reported as part of Other Governmental Funds. For 2007 and 2006, this fund received transfers of \$1,800, \$600 and \$300 from the General Fund, Street Maintenance and Repair Fund and the Special Motor Vehicle Fund respectively.

**Note 14 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

**Note 15 – 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 certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

Village of Arlington Heights  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

**Note 15 – Risk Pool Membership** (continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$ 2,331,284	\$ 2,241,661
Liabilities	(3,130,475)	(3,457,720)
Accumulated deficit	\$ (799,191)	\$ (1,216,059)

**Note 16 – Subsequent Event**

On October 27, 2008 (with an effective date of January 1, 2009), the Village Council disbanded the Fire Department and Life Squad Service, its paid employees and volunteers. Also, the Village entered into a contract with the City of Reading, in Hamilton County, to provide fire prevention and protection services, emergency medical transport and paramedic services for the Village. The Village Council authorized the Fiscal Officer to use Village levy proceeds for the provision and maintenance of fire and paramedic services to pay, at least in part, for the contractual obligation with the City of Reading.

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# Mary Taylor, CPA

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 governmental activities, each major fund, and the aggregate remaining fund information of the Village of Arlington Heights, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 1, 2009, wherein we noted the Village follows the cash accounting basis. 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 expressing our opinions on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2007-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management and Council in a separate letter dated May 1, 2009.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 1, 2009.

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 the management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 1, 2009

**VILLAGE OF ARLINGTON HEIGHTS  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Noncompliance/Material Weakness**

**Ohio Rev. Code, Section 733.28**, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

**Ohio Admin. Code, Section 117-2-02(A)**, states that:

all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The following items were noted from review of the Village's financial records for fiscal year 2007:

- Real estate tax revenues were recorded at the net amount rather than the gross amount resulting in the following understatements of tax revenue and a corresponding understatement of general government expenses in the following funds: \$2,285 in the General Fund, \$646 in the Fire & Life Squad Levy Fund, and \$399 in the Squad Levy Fund.
- Real estate tax revenue of \$27,003 was recorded as intergovernmental revenue rather than as taxes revenue in the Squad Levy Fund.
- Homestead and rollback revenue of \$7,298 was recorded as taxes revenue rather than as intergovernmental revenue in the General Fund. Additionally, the entire amount received was credited to the General Fund rather than being split between the General Fund, Squad Levy Fund and Fire & Life Squad Levy Fund as directed on the County Auditor's settlement sheets. A fund balance adjustment, necessary to correct this error, represents a decrease to the General Fund of \$3,916, an increase to the Squad Levy Fund of \$1,922 and an increase to the Fire & Life Squad Levy Fund of \$1,994.
- Federal and State grant revenue of \$19,076 was recorded as Fines, Licenses & Permits revenue rather than as Intergovernmental revenue in the Law Enforcement Trust Fund.
- Debt proceeds of \$83,014 were recorded as miscellaneous revenue rather than sale of notes in the General Fund.
- Debt principal expenses of \$44,673 and debt interest charges of \$9,933 (totaling \$54,606) were reported as part of general government expenses and security of persons and property expenses in the General Fund.
- Debt principal expenses of \$2,286 and debt interest charges of \$230 (totaling \$2,516) were reported as part of transportation expenses in the Street Construction Maintenance and Repair Fund.
- Debt principal expenses of \$2,499 and debt interest charges of \$251 (totaling \$2,750) were reported as part of basic utility services expenses in the Waste Fund.

**FINDING NUMBER 2007-001  
(Continued)**

- Debt principal expenses of \$2,635 and debt interest charges of \$265 (totaling \$2,900) were reported as part of transportation expenses in the Special Motor Vehicle Fund.
- Advances In and Advances Out along with Transfers In and Transfers Out were netted for each category within the General Fund and the Other Governmental Funds.
- Cable franchise fees of \$6,217 were posted to Miscellaneous Revenue instead of Fines, Licenses and Permits Revenue in the General Fund.

The following items were noted from review of the Village's financial records for fiscal year 2006:

- Real estate tax revenues were recorded at the net amount rather than the gross amount resulting in the following understatements of tax revenue and a corresponding understatement of general government expenses in the following funds: \$1,984 in the General Fund, and \$647 in the Fire & Life Squad Levy Fund.
- Real estate tax revenue (2<sup>nd</sup> half 2006) was posted in error which resulted in an overstatement of tax revenue in the Fire & Life Squad Levy Fund of \$500 and an understatement of tax revenue in the General Fund as directed on the County Auditor's settlement sheets. A fund balance adjustment, necessary to correct this error, represents a decrease to the Fire & Life Squad Levy Fund of \$500, and an increase to the General Fund of \$500.
- Homestead and rollback revenue of \$5,191 was recorded as taxes revenue rather than as intergovernmental revenue in the General Fund. Additionally, the entire amount received was credited to the General Fund rather than being split between the General Fund, and the Fire & Life Squad Levy Fund as directed on the County Auditor's settlement sheets. A fund balance adjustment, necessary to correct this error, represents a decrease to the General Fund of \$1,917, and an increase to the Fire & Life Squad Levy Fund of \$1,917.
- Debt proceeds of \$31,189 were recorded as miscellaneous revenue rather than as sale of notes in the General Fund.
- Debt principal expenses of \$18,701 and debt interest charges of \$4,661 (totaling \$23,362) were reported as part of general government expenses and security of persons and property expenses in the General Fund.
- Debt principal expenses of \$3,938 and debt interest charges of \$590 (totaling \$4,528) were reported as part of transportation expenses in the Street Construction Maintenance and Repair Fund.
- Debt principal expenses of \$1,739 and debt interest charges of \$261 (totaling \$2,000) were reported as part of basic utility services expenses in the Waste Fund.
- Debt principal expenses of \$15,659 and debt interest charges of \$5,226 (totaling \$20,885) were reported as part of security of persons and property expenses and transportation expenses in the Special Motor Vehicle Fund.
- Advances In and Advances Out along with Transfers In and Transfers Out were netted for each category within the General Fund and the Other Governmental Funds.
- Cable franchise fees of \$6,596 were posted to Miscellaneous Revenue instead of Fines, Licenses and Permits Revenue in the General Fund.

**FINDING NUMBER 2007-001  
(Continued)**

These errors occurred as a result of Village personnel posting receipt and disbursement transactions to an inappropriate line item and/or to the appropriate fund. The financial statements have been adjusted to properly report the classification errors noted above, except for the reclassification related to cable franchise fees revenue.

Failure to properly classify receipt and disbursement transactions of the Village increases the risk of incorrect fund balances and misstated financial statements. We recommend that the Village implement and monitor procedures to provide for the accurate posting of all transactions to the appropriate account and fund.

**Officials' Response:**

The Village has corrected the 2006 and 2007 tax revenue with a fund balance adjustment to the General Fund, Fire & Life Squad Levy and Squad Levy Fund. Reclassification related to cable franchise fees revenue will be corrected. We will be looking into the UAN Ohio State software to help eliminate future incorrect postings.

**FINDING NUMBER 2007-002**

**Noncompliance**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2007-002  
(Continued)**

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds for purchase commitments for six of twenty-five or twenty-four percent (24%) of expenditures tested for 2007, and four of twenty-five or sixteen percent (16%) of expenditures tested for 2006 and none of the exceptions above applied. Additionally, the Village did not encumber an obligation as of December 31, 2007, (paid in January 2008) for which the Village adjusted the financial statements. While the Village does have procedures regarding the use of purchase orders, it does not consistently follow those procedures.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend that the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. We also recommend that the Village establish a maximum amount for blanket certificates by resolution.

**Officials' Response:**

The Village will review the purchase order procedure and recommend changes to Council to improve reporting.

**FINDING NUMBER 2007-003**

**Noncompliance**

**Ohio Rev. Code, Section 149.351(A)**, provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42.

The Village could not provide detail supporting documentation for four of thirty-one (12.9%) and thirteen of twenty-nine (44.8%) of the receipts tested in 2007 and 2006 respectively. The support documentation predominantly related to the waste (trash removal) collection cycle which is the primary revenue source for the Waste Fund, a Village major fund. The Village could not provide documentation for certain transactions and details related to each batch of receipts for these items.

**FINDING NUMBER 2007-003  
(Continued)**

During fiscal year 2006 and the beginning of fiscal year 2007, the Village prepared quarterly bills to all residents for waste collection services provided through Rumpke which has a contract with the Village. The Village posted "batch payments" of several waste bills into single receipts on the Quicken G/L system and in the duplicate receipt books, but did not maintain a detail ledger for the batches. Furthermore, the quarterly billing statements and payments by residents were filed by street name and house number rather than by the receipt number or date paid, making it impractical to reconstruct batch totals for any given receipt.

Also, this method of accounting prevented the Village from determining the receivable amount due from each customer. While the Village does not record receivables in its financial statements, the Village requires this information to monitor overdue collections.

In fiscal year 2007 and currently, the Village executed a contract with the City of Cincinnati Water Works for billing and collection of the waste charges-for-services revenue, which corrected the deficiency described above.

Failure to maintain receipt documentation in a systematic manner could result in inaccurately posted items or clerical errors, in addition to increasing fraud risks. We recommend that the Village review its procedures for cash receipt filing, and maintain detail supporting documentation centrally and numerically by receipt number.

**Officials' Response:**

The Village recognized the lack of control in billing residents for waste services and contracted with the City of Cincinnati Water Works for billing as noted.





**Mary Taylor, CPA**  
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**  
**JUNE 4, 2009**