

Village of Arlington Heights
Hamilton County, Ohio

Regular Audit

For the Years Ended December 31, 2003 - 2002



**Auditor of State
Betty Montgomery**

Village Council
Village of Arlington Heights
601 Elliott Ave.
Arlington Heights, OH 44215

We have reviewed the Independent Auditor's Report of the Village of Arlington Heights, Hamilton County, prepared by Knox & Knox CPAs, for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 17, 2004

This Page is Intentionally Left Blank.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY, OHIO

Table of Contents

	<u>Page</u>
Report of Independent Accountants.....	1 - 2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7 - 13
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	14 - 15
Schedule of Prior Audit Findings	16

This page intentionally left blank.

KNOX & KNOX

Accountants and Consultants

Report of Independent Accountants

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

To the Members of Village Council:

We have audited the accompanying financial statements of the Village of Arlington Heights, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

Village of Arlington Heights
Hamilton County
Report of Independent Accountants
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Knox & Knox

Orrville, Ohio
June 30, 2004

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Cash Receipts:					
Local Taxes	\$ 385,490	\$ 55,156	\$ -0-	\$ -0-	\$ 440,646
Intergovernmental	9,087	104,186	-0-	-0-	113,273
Charges For Services	-0-	89,910	-0-	-0-	89,910
Fines, License and Permits	108,126	18,869	-0-	-0-	126,995
Miscellaneous	<u>28,755</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>28,755</u>
Total Cash Receipts	531,458	268,121	-0-	-0-	799,579
Cash Disbursements:					
Security of Persons and Property	225,867	164,728	-0-	-0-	390,595
Leisure Time Activities	1,355	-0-	-0-	-0-	1,355
Transportation	-0-	38,678	-0-	-0-	38,678
Basic Utility Services	-0-	70,313	-0-	-0-	70,313
General Government	315,755	17,205	5,856	-0-	338,816
Capital Outlay	<u>-0-</u>	<u>3,252</u>	<u>-0-</u>	<u>62,413</u>	<u>65,665</u>
Total Cash Disbursements	<u>542,977</u>	<u>294,176</u>	<u>5,856</u>	<u>62,413</u>	<u>905,422</u>
Total Cash Receipts Over/(Under) Cash Disbursements	< 11,519 >	< 26,055 >	< 5,856 >	< 62,413 >	< 105,843 >
Other Financing Receipts/ Disbursements:					
Transfers-In	-0-	-0-	-0-	-0-	-0-
Transfers-Out	< 2,700 >	-0-	-0-	-0-	< 2,700 >
Loan Proceeds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>100,000</u>	<u>100,000</u>
Total Other Financing Receipts/Disbursements:	<u>< 2,700 ></u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>97,300</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	< 14,219 >	< 26,055 >	< 5,856 >	37,587	< 8,543 >
Fund Cash Balances, 1/1/03	<u>96,375</u>	<u>87,455</u>	<u>6,328</u>	<u>10,001</u>	<u>200,159</u>
Fund Cash Balances, 12/31/03	<u>\$ 82,156</u>	<u>\$ 61,400</u>	<u>\$ 472</u>	<u>\$ 47,588</u>	<u>\$ 191,616</u>
Reserve for Encumbrances, 12/31/03	<u>\$ 750</u>	<u>\$ 2,134</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,884</u>

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

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Types		Fiduciary Fund Type	Total
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts:				
Fines	\$ -0-	\$ -0-	\$ 149,932	\$149,932
Total Operating Cash Receipts	<u>-0-</u>	<u>-0-</u>	<u>149,932</u>	<u>149,932</u>
Operating Cash Disbursements:				
Personal Services	1,476	-0-	-0-	1,476
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>149,932</u>	<u>149,932</u>
Total Operating Cash Disbursements	<u>1,476</u>	<u>-0-</u>	<u>149,932</u>	<u>151,408</u>
Operating Income/(Loss)	< 1,476 >	-0-	-0-	< 1,476 >
Transfers - In	<u>-0-</u>	<u>2,700</u>	<u>-0-</u>	<u>2,700</u>
Net Receipts Over/(Under) Disbursements	< 1,476 >	2,700	-0-	1,224
Fund Cash Balances, 1/1/03	<u>1,902</u>	<u>1,125</u>	<u>-0-</u>	<u>3,027</u>
Fund Cash Balances, 12/31/03	<u>\$ 426</u>	<u>\$ 3,825</u>	<u>\$ -0-</u>	<u>\$ 4,251</u>
Reserve for Encumbrances, 12/31/03	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Cash Receipts:					
Local Taxes	\$ 395,145	\$ 81,305	\$ -0-	\$ -0-	\$ 476,450
Intergovernmental	8,521	37,670	-0-	-0-	46,191
Charges For Services	-0-	89,785	-0-	-0-	89,785
Fines, License and Permits	136,587	26,718	-0-	-0-	163,305
Miscellaneous	<u>62,973</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>62,973</u>
Total Cash Receipts	<u>603,226</u>	<u>235,478</u>	<u>-0-</u>	<u>-0-</u>	<u>838,704</u>
Cash Disbursements:					
Security of Persons and Property	274,452	102,820	-0-	-0-	377,272
Leisure Time Activities	851	-0-	-0-	-0-	851
Transportation	-0-	34,395	-0-	-0-	34,395
Basic Utility Services	-0-	69,627	-0-	-0-	69,627
General Government	355,597	13,029	1,137	-0-	369,763
Capital Outlay	<u>-0-</u>	<u>14,594</u>	<u>-0-</u>	<u>40,000</u>	<u>54,594</u>
Total Cash Disbursements	<u>630,900</u>	<u>234,465</u>	<u>1,137</u>	<u>40,000</u>	<u>906,502</u>
Total Cash Receipts Over/(Under)					
Cash Disbursements	< 27,674 >	1,013	< 1,137 >	< 40,000 >	< 67,798 >
Other Financing Receipts/ Disbursements:					
Transfers-In	-0-	-0-	-0-	-0-	-0-
Transfers-Out	<u>< 2,700 ></u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>< 2,700 ></u>
Total Other Financing Receipts/Disbursements:	<u>< 2,700 ></u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>< 2,700 ></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	< 30,374 >	1,013	< 1,137 >	< 40,000 >	< 70,498 >
Fund Cash Balances, 1/1/02	<u>126,749</u>	<u>86,442</u>	<u>7,465</u>	<u>50,001</u>	<u>270,657</u>
Fund Cash Balances, 12/31/02	<u>\$ 96,375</u>	<u>\$ 87,455</u>	<u>\$ 6,328</u>	<u>\$ 10,001</u>	<u>\$ 200,159</u>
Reserve for Encumbrances, 12/31/02	<u>\$ 564</u>	<u>\$ 969</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,533</u>

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

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Fund Type</u> <u>Agency</u>	<u>(Memorandum</u> <u>Only)</u>
Operating Cash Receipts:				
Fines	\$ -0-	\$ -0-	\$ 193,547	\$ 193,547
Total Operating Cash Receipts	<u>-0-</u>	<u>-0-</u>	<u>193,547</u>	<u>193,547</u>
Operating Cash Disbursements:				
Personal Services	1,554	16,650	-0-	18,204
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>193,547</u>	<u>193,547</u>
Total Operating Cash Disbursements	<u>1,554</u>	<u>16,650</u>	<u>193,547</u>	<u>211,751</u>
Operating Income/(Loss)	< 1,554 >	< 16,650 >	-0-	< 18,204 >
Transfers - In	<u>-0-</u>	<u>2,700</u>	<u>-0-</u>	<u>2,700</u>
Net Receipts Over/(Under) Disbursements	< 1,554 >	< 13,950 >	-0-	< 15,504 >
Fund Cash Balances, 1/1/02	<u>3,456</u>	<u>15,075</u>	<u>-0-</u>	<u>18,531</u>
Fund Cash Balances, 12/31/02	<u>\$ 1,902</u>	<u>\$ 1,125</u>	<u>\$ -0-</u>	<u>\$ 3,027</u>
Reserve for Encumbrances, 12/31/02	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Arlington Heights, Hamilton County, (The Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides general governmental services, including maintenance of Village roads and bridges, park operations, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

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

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

Waste Fund- This fund receives monies to pay for waste removal.

Fire and Life Squad Levy - This fund receives tax monies to pay for fire and ambulance services.

Debt Service Funds

These funds are used to accumulate resources for the payment of bond and note indebtedness. The Village had the following significant debt service fund:

Other Debt Service Fund - This fund receives resources for payment of debt for capital improvements.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Capital Projects Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects fund:

Other Capital Projects - This fund receives resources to pay for capital improvements of the Village.

Enterprise Fund

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives resources to pay the salaries of the trustees of the Board of Public Affairs.

Internal Service Funds

These funds account for operations that provide services to other department or agencies of the government. The Village had the following significant Internal Service Fund:

Other Internal Service Fund - This fund accumulates resources for the payment of accrued sick pay to retiring employees.

Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund - This fund is used to record the collection of fines and the distribution of those funds to the various agencies as outlined in the Ohio Revised Code.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. Equity in Pooled Cash and Investments

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

	2003	2002
Dem and deposit	\$ 195,867	\$ 203,186
Total Deposits	\$ 195,867	\$ 203,186

Deposits:

Deposits are (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 589,294	\$ 531,458	<\$ 57,836>
Special Revenue	280,360	268,121	< 12,239>
Capital Projects	100,000	100,000	-0-
Internal Service	2,700	2,700	-0-
Fiduciary	<u>149,932</u>	<u>149,932</u>	<u>-0-</u>
Total	<u>\$1,122,286</u>	<u>\$ 1,052,211</u>	<u><\$ 70,075></u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 685,667	\$ 546,427	\$ 139,240
Special Revenue	367,815	296,310	71,505
Debt Service	6,328	5,856	472
Capital Projects	110,001	62,413	47,588
Enterprise	1,902	1,476	426
Internal Service	3,825	-0-	3,825
Fiduciary	<u>149,932</u>	<u>149,932</u>	<u>-0-</u>
Total	<u>\$ 1,325,470</u>	<u>\$1,062,414</u>	<u>\$ 263,056</u>

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. Budgetary Activity (Continued)

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 591,715	\$ 603,226	\$ 11,511
Special Revenue	228,089	235,478	7,389
Internal Service	2,700	2,700	-0-
Fiduciary	<u>193,547</u>	<u>193,547</u>	<u>-0-</u>
Total	<u>\$ 1,016,051</u>	<u>\$ 1,034,951</u>	<u>\$ 18,900</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 718,463	\$ 634,164	\$ 84,299
Special Revenue	297,120	235,434	61,686
Debt Service	7,466	1,137	6,329
Capital Projects	50,001	40,000	10,001
Enterprise	1,750	1,555	195
Internal Service	17,775	16,650	1,125
Fiduciary	<u>193,547</u>	<u>193,547</u>	<u>-0-</u>
Total	<u>\$1,286,122</u>	<u>\$1,122,487</u>	<u>\$ 163,635</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due the following June 20.

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

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

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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

5. Local Income Tax

The Village levied a municipal income tax of 1.7 percent on substantially all earned income arising from employment, residency, or business activities within the Village, as well as certain income of residents earned outside of the Village, during 2002. Effective as of January 1, 2003, the rate was increased to 2.1 percent.

Employers within the Village withhold income tax on employee compensation and remit the tax quarterly. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note-2003	\$100,000	4.09%

The Village's General Obligation Note was issued to a commercial bank for building improvements.

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

<u>Year ending December 31:</u>	<u>General Obligation Loan</u>
2004	\$ 13,150
2005	12,284
2006	12,288
2007	12,277
2008	12,291
2009 - 2013	<u>61,419</u>
	<u>\$123,709</u>

7. Lease Commitments

The Village entered into a lease agreement with Dublin Capital Corporation for a fire truck. The agreement is considered a capital lease. The present value of the capital lease is as follows:

<u>Year ending December 31:</u>	<u>Annual Payment</u>
2004	\$ 5,394
2005	5,394
2006	5,394
2007	5,394
2008	5,394
Thereafter	<u>-0-</u>
	26,970
Less amount representing interest (5.75%)	<u>3,750</u>
Present value of future minimum lease payments	<u>\$ 23,220</u>

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

The Village will make annual payments of \$ 5,394 in arrears. The first annual payment is due on April 4, 2004. The cost of the fire truck was \$22,600.

8. Retirement Systems

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages for 2003 and 2002. PERS members contributed 8.5% of their gross salaries for 2003 and 2002. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

Certain employees may elect to participate in the Ohio Deferred Compensation Program (the Program). Amounts withheld from employee compensation are tax deferred, and invested by the Program, as directed by the employees.

9. Risk Management

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Public officials' liability
- Vehicles
- Property (buildings and contents)
- Law enforcement
- Inland marine

The Village is a member of the Ohio Municipal League Joint Self-Insurance Pool (the Pool) for liability insurance. The Pool reduces the premiums that would have to be paid for individual villages by combining all of the participating villages and rating those for a percentage needed to pay.

The Village also provides health insurance and dental coverage to full-time employees through a private carrier.

10. Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Members of Village Council:

We have audited the financial statements of the Village of Arlington Heights, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 30, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we have noted other immaterial instances of non-compliance that we have reported to the Village in a separate letter dated June 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village, in a separate letter dated June 30, 2004.

This report is intended for the information of the audit committee, management, and the Village Council, and should not be used by anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
June 30, 2004

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <i>Explain:</i>
2001-30431-001	Ohio Revised Code Sections 705.27 and 733.69 require that the Treasurer of a Municipal Corporation be bonded.	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
AUGUST 31, 2004**