

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Arlington Heights, Hamilton County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2004 through December 31, 2005. 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.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

March 22, 2007

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**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

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KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2005 and 2004, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Arlington Heights, Hamilton County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General, Waste, and Street Maintenance and Repair Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and 2004, the Village revised its financial presentation comparable to the requirements of Governmental accounting Standard No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2006, 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.

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.

KNOX & KNOX

Orrville, Ohio
July 31, 2006

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

This discussion and analysis of the Village of Arlington Heights financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2005 and 2004, within the limitations of the cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

HIGHLIGHTS

Key highlights are as follows:

In 2005, net assets increased \$184,938 or 32 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the Other Governmental Funds, which had a decrease of \$267,536 from the prior year.

The Village's general receipts are primarily local taxes and local governmental funds. These receipts represent 63 percent and 91 percent of the total general fund cash received 2005 and 2004 respectively.

The general fund average increase in expenses was 18 percent from 2005 and 2004. If the general fund continues to increase expenses at this rate, additional revenue sources should be considered or cuts should be made to stay within a balanced budget.

The Village has no significant proprietary funds.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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 Village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

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 a cash basis of accounting. This basis

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
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of accounting is other than generally accepted accounting principles. Under the Village's modified 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 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. 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 or business-type activity 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 non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, 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 taxes.

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

Governmental activities. Most of the Government's basic services are reported here, including police and street maintenance. State and federal grants 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 activities. The Government has no significant business-type activities. Business-type activities are financed by a fee charged to the customers receiving the service.

REPORTING THE GOVERNMENT'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

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

purpose. The funds of the Village are split into three categories: government, proprietary and fiduciary.

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 non-major 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, Water, and Street Maintenance funds. The programs reported in the 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.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has no significant enterprise fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has one internal service fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
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THE VILLAGE AS A WHOLE

Table 1 provides a summary of the Village's net assets for 2005 and 2004 on a cash basis.

| (Table 1) | | | | | | |
|-------------------------|-------------------------|-------------------|--------------------------|------|-------------------|-------------------|
| Net Assets | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Assets | | | | | | |
| Cash & Cash Equivalents | \$ 392,728 | \$ 577,666 | | | \$ 392,728 | \$ 577,666 |
| Total Assets | <u>\$ 392,728</u> | <u>577,666</u> | | | <u>\$ 392,728</u> | <u>\$ 577,666</u> |
| Net Assets | | | | | | |
| Restricted for: | | | | | | |
| Debt Service | \$ 472 | \$ 472 | | | \$ 472 | \$ 472 |
| Capital Outlay | \$ 1,256 | \$ 18,009 | | | \$ 1,256 | \$ 18,009 |
| Other Purposes | \$ 149,148 | \$ 410,792 | | | \$ 149,148 | \$ 410,792 |
| Unrestricted | \$ 241,852 | \$ 148,393 | | | \$ 241,852 | \$ 148,393 |
| Total Net Assets | <u>\$ 392,728</u> | <u>\$ 577,666</u> | | | <u>\$ 392,728</u> | <u>\$ 577,666</u> |

As mentioned previously, net assets decreased \$184,938 or 32 percent during 2005. The primary reason contributing to the decreases in cash balances is as follows:

- The Village had a significant increase in capital outlay during 2005.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

| Table 2 | | | | | | |
|---|--------------------|---------------|--------------------|--------------------|----------------|--------------------|
| Changes in Net Assets | | | | | | |
| | Governmental | Business-Type | | Government | Business- | |
| | Activities | Activities | Total | Activities | Activities | Total |
| | 2005 | 2005 | 2005 | 2004 | 2004 | 2004 |
| Receipts: | | | | | | |
| Program Receipts: | | | | | | |
| Charges for Services & Sales | \$344,113 | | \$344,113 | \$270,337 | | \$270,337 |
| Operating Grants | \$53,557 | | \$53,557 | \$34,546 | | \$34,546 |
| Total Program Receipts | \$397,670 | | \$101,341 | \$304,883 | | \$304,883 |
| General Receipts: | | | | | | |
| Property & Other Local Taxes | \$546,615 | | \$546,615 | \$539,339 | | \$593,339 |
| Intergovernmental | \$66,397 | | \$66,397 | \$402 | | \$401,954 |
| Other Financing Sources | \$36,534 | | \$36,534 | | | |
| Miscellaneous | \$86,984 | | \$86,984 | \$48,865 | | \$ 48,865 |
| Total General Receipts | \$736,530 | | \$736,539 | \$990,158 | | \$990,158.0 |
| Total Receipts | \$1,134,200 | | \$1,134,200 | \$1,295,041 | | \$1,295,041 |
| Disbursements: | | | | | | |
| General Government | \$459,939 | | \$459,939 | \$406,500 | | \$406,500 |
| Security of Persons & Property | \$408,569 | | \$408,569 | \$323,215 | | \$323,215 |
| Leisure Time Activities | \$15,263 | | \$15,263 | \$1,317 | | \$1,317 |
| Utility Services | \$68,008 | | \$68,008 | \$60,200 | | \$60,200 |
| Transportation | \$52,377 | | \$52,377 | \$38,873 | | \$38,873 |
| Capital Outlay | \$311,155 | | \$311,155 | \$62,049 | | \$62,049 |
| Principal Retirement/Interest | \$6,127 | | \$6,127 | \$20,662 | | \$20,662 |
| Other | \$2,700 | | \$2,700 | | \$426 | \$426 |
| Total Disbursements | \$1,319,138 | | \$1,319,138 | \$912,811 | \$426 | \$913,242 |
| Increase (Deficiency) | (\$184,938) | | (\$184,938) | \$382,225 | (\$426) | \$381,799 |
| Net Assets, January 1, 2005 & 2004 | \$577,666 | | \$577,666 | \$195,441 | \$426 | \$195,867 |
| Net Assets, December 31, 2005 & 2004 | \$392,728 | | \$392,728 | \$577,666 | | \$577,666 |

**VILLAGE OF ARLINGTON HEIGHTS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
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Program receipts represent only 9 and 8 percent of total receipts for 2005 and 2004 such as motor vehicle license and gas tax money, building permits and inspection fees.

General receipts represent 91 and 92 percent of the Village's total receipts for 2005 and 2004.

Disbursements for General Government represent the overhead costs of running the Government. These include the costs of council and the fiscal officer, as well as 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.

Governmental Activities

If you look at the Statement of Activities on page 9, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 31 and 36 percent of all governmental disbursements in 2005 and 2004, respectively. General government also represents a significant cost. 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 Government that must be used to provide a specific service. The new 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.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

| (Table 3) | | | | |
|--------------------------------|--------------------|--------------------|------------------|------------------|
| Governmental Activities | | | | |
| | Total Cost | Net Cost | Total Cost | Net Cost |
| | of Services | of services | of Services | of Services |
| | 2005 | 2005 | 2004 | 2004 |
| General Government | \$454,939 | \$454,939 | \$406,500 | \$406,500 |
| Security of Persons & Property | \$408,569 | \$408,569 | \$323,215 | \$323,215 |
| Basic Utility | \$68,008 | \$0 | \$60,200 | |
| Leisure Time Activities | \$15,263 | \$15,263 | \$1,317 | \$1,317 |
| Other | \$2,700 | \$2,700 | | |
| Transportation | \$52,377 | \$52,377 | \$38,873 | \$38,873 |
| Capital Outlay | \$311,155 | \$277,822 | \$62,049 | \$28,067 |
| Principal Retirement/Interest | \$6,127 | \$6,127 | \$20,662 | \$20,662 |
| | | | | |
| Total Expenses | \$1,319,138 | \$1,217,797 | \$912,816 | \$818,634 |

The dependence upon local tax receipts is apparent as over 49 percent of governmental activities were supported through these general receipts in 2005 and 2004.

Business-type Activities

The utility services of the Village are operated by the city of Cincinnati. The Village maintains a small internal service fund for the payment of accrued sick leave to retiring employees.

BUDGETING HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt

At December 31, 2005, the Government's outstanding debt included general obligation notes issued for improvements to buildings and equipment acquisitions. For further information regarding the Village's debt, refer to Note 10 of the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

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 funds. We rely heavily on local taxes and have little industry to support the tax base. To continue to promote our current level of services additional revenue will need to be obtained.

CONTACTING THE VILLAGE'S 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 Steve Surber, Fiscal Officer, Village of Arlington Heights, 601 Elliot Avenue, Arlington Heights, Ohio 45215.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$392,728</u> |
| Total Assets | <u><u>\$392,728</u></u> |
| Net Assets | |
| Restricted for: | |
| Capital Projects | \$1,256 |
| Debt Service | 472 |
| Other Purposes | 149,148 |
| Unrestricted | <u>241,852</u> |
| Total Net Assets | <u><u>\$392,728</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2005**

| | Cash Disbursements | Program Receipts | | Net(Disbursements) Receipts and Changes in Net Assets |
|-----------------------------------|------------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| General Government | \$454,939 | | | (\$454,939) |
| Security of Persons and Property | 408,569 | \$242,772 | | (165,797) |
| Leisure Time Activities | 15,263 | | | (15,263) |
| Basic Utility Services | 68,008 | 101,341 | \$53,557 | 86,890 |
| Transportation | 52,377 | | | (52,377) |
| Capital Outlay | 311,155 | | | (311,155) |
| Debt Service | 6,127 | | | (6,127) |
| Other Uses | 2,700 | | | (2,700) |
| Total Governmental Activities | \$1,319,138 | \$344,113 | \$53,557 | (921,468) |
| | | General Receipts | | |
| | | Property Taxes Levied for: | | |
| | | | General Purposes | 546,615 |
| | | | Loan Proceeds | 36,534 |
| | | | Intergovernmental | 66,397 |
| | | | Other Uses | 2,700 |
| | | | Miscellaneous | 84,284 |
| | | | Total General Receipts | 736,530 |
| | | | Change in Net Assets | (184,938) |
| | | | Net Assets Beginning of Year | 577,666 |
| | | | Net Assets End of Year | \$392,728 |

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

| | <u>General</u> | <u>Waste Fund</u> | <u>Capital Projects Fund</u> | <u>Street Maintenance & Repair Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|------------------------|--------------------------------------|---|---|---|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$241,852</u> | <u>\$14,145</u> | <u>\$1,256</u> | <u>\$15,585</u> | <u>\$110,665</u> | <u>\$383,503</u> |
| Total Assets | <u><u>\$241,852</u></u> | <u><u>\$14,145</u></u> | <u><u>\$1,256</u></u> | <u><u>\$15,585</u></u> | <u><u>\$110,665</u></u> | <u><u>\$383,503</u></u> |
| Fund Balances | | | | | | |
| Reserved: | | | | | | |
| Reserved for Encumbrances | \$151 | \$48 | | | \$700 | \$899 |
| Unreserved: | | | | | | |
| Undesignated (Deficit) Reported in: | | | | | | |
| General Fund | 241,701 | | | | | 241,701 |
| Special Revenue Funds | | 14,097 | | \$15,585 | 109,493 | 139,175 |
| Capital Projects Fund | | | \$1,256 | | | 1,256 |
| Debt Service Fund | | | | | <u>472</u> | <u>472</u> |
| Total Fund Balances | <u><u>\$241,852</u></u> | <u><u>\$14,145</u></u> | <u><u>\$1,256</u></u> | <u><u>\$15,585</u></u> | <u><u>\$110,665</u></u> | <u><u>\$383,503</u></u> |

See accompanying notes to the basic financial statements.

**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, 2005**

| | General | Waste Fund | Capital Projects Fund | Street Maintenance & Repair Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-----------------|-----------------------------|--|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Property and Other Local Taxes | \$492,128 | | | | \$54,487 | \$546,615 |
| Charges for Services | | \$66,480 | | | 34,861 | 101,341 |
| Fines, Licenses, and Permits | 202,228 | | | | 40,544 | 242,772 |
| Intergovernmental | 8,293 | | | \$53,557 | 58,104 | 119,954 |
| Miscellaneous | 84,284 | | | | | 84,284 |
| Total Receipts | 786,933 | 66,480 | | 53,557 | 187,996 | 1,094,966 |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 445,700 | | | | 9,239 | 454,939 |
| Security of Persons and Property | 267,244 | | | | 141,325 | 408,569 |
| Leisure Time Activities | 15,263 | | | | | 15,263 |
| Basic Utility Services | | 68,008 | | | | 68,008 |
| Transportation | | | | 48,236 | 4,141 | 52,377 |
| Capital Outlay | | | 16,753 | | 294,402 | 311,155 |
| Debt Service | | | | | 6,125 | 6,125 |
| Total Disbursements | 728,207 | 68,008 | 16,753 | 48,236 | 455,232 | 1,316,436 |
| Excess of Receipts over (Under) Disbursements | 58,726 | (1,528) | (16,753) | 5,321 | (267,236) | (221,470) |
| Other Financing Sources (Uses) | | | | | | |
| Notes Issued | 36,532 | | | | | 36,532 |
| Other Sources (Uses) | | | | | | |
| Transfers-in | | | | | | |
| Transfers-out | (1,800) | | | (600) | (300) | (2,700) |
| Total Other Financing Sources (Uses) | 34,732 | | | (600) | (300) | 33,832 |
| Net Changes in Fund Balances | 93,458 | (1,528) | (16,753) | 4,721 | (267,536) | (187,638) |
| Fund Balances Beginning of Year | 148,394 | 15,673 | 18,009 | 10,864 | 378,201 | 571,141 |
| Fund Balances End of Year | \$241,852 | \$14,145 | \$1,256 | \$15,585 | \$110,665 | \$383,503 |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Budgeted Amounts | | | Variance |
|--|------------------|-----------|-----------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Receipts | | | | |
| Property and Other Local Taxes | \$451,500 | \$451,500 | \$492,128 | \$40,628 |
| Fines Licenses, and Permits | 120,000 | 120,000 | 202,228 | 82,228 |
| Intergovernmental | 8,520 | 8,520 | 8,293 | (227) |
| Miscellaneous | 42,639 | 42,639 | 84,284 | 41,645 |
| Total Receipts | 622,659 | 622,659 | 786,933 | 164,274 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 343,000 | 503,753 | 445,851 | 57,902 |
| Security of Persons and Property | 242,500 | 242,500 | 267,244 | (24,744) |
| Leisure Time Activities | 23,000 | 23,000 | 15,263 | 7,737 |
| Total Disbursements | 608,500 | 769,253 | 728,358 | 40,895 |
| Excess of Receipts Over (Under) Disbursements | 14,159 | (146,594) | 58,575 | 205,169 |
| Other Financing Sources (Uses) | | | | |
| Notes Issued | | | 36,532 | 36,532 |
| Transfers-Out | (1,800) | (1,800) | (1,800) | |
| Total Other Financing Sources (Uses) | (1,800) | (1,800) | 34,732 | 36,532 |
| Net Changes in Fund Balances | 12,359 | (148,394) | 93,307 | 241,701 |
| Fund Balances Beginning of Year | 148,394 | 148,394 | 148,394 | |
| Prior Year Encumbrances Appropriations | 575 | 575 | 575 | |
| Fund Balances End of Year | \$161,328 | \$575 | \$242,276 | \$241,701 |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
WASTE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Budgeted Amounts | | | Variance |
|---|------------------|----------|----------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Receipts | | | | |
| Charges for Services | \$70,000 | \$70,000 | \$66,480 | (\$3,520) |
| Total Receipts | 70,000 | 70,000 | 66,480 | (3,520) |
| Disbursements | | | | |
| Current: | | | | |
| Basic Utility Services | 85,673 | 85,673 | 68,056 | (\$17,617) |
| Total Disbursements | 85,673 | 85,673 | 68,056 | (17,617) |
| Excess of Receipts Over/(Under) Disbursements | (15,673) | (15,673) | (1,576) | 14,097 |
| Net Changes in Fund Balances | (15,673) | (15,673) | (1,576) | \$14,097 |
| Fund Balances Beginning of Year | 15,673 | 15,673 | 15,673 | |
| Prior Year Encumbrances Appropriated | _____ | _____ | _____ | _____ |
| Fund Balances End of Year | _____ | _____ | \$14,097 | \$14,097 |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Budgeted Amounts | | | Variance |
|---|------------------|----------|----------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Receipts | | | | |
| Intergovernmental | \$44,136 | \$44,136 | \$53,557 | \$9,421 |
| Total Receipts | 44,136 | 44,136 | 53,557 | 9,421 |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 55,000 | 55,000 | 48,236 | 6,764 |
| Total Disbursements | 55,000 | 55,000 | 48,236 | 6,764 |
| Excess of Receipts Over/(Under) Disbursements | (10,864) | (10,864) | 5,321 | 16,185 |
| Other Financing Sources (Uses) | | | | |
| Transfers-out | | | (600) | (600) |
| Total Other Financing Sources (Uses) | | | (600) | (600) |
| Net Changes in Fund Balances | (10,864) | (10,864) | 4,721 | 15,585 |
| Fund Balances Beginning of Year | 10,864 | 10,864 | 10,864 | |
| Prior Year Encumbrances Appropriated | | | | |
| Fund Balances End of Year | 15,585 | 15,585 | \$15,585 | \$15,585 |

See accompanying notes to the basic financial statements.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2005

| | Business-Type Activities |
|--|-----------------------------|
| | Internal Service Fund |
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$9,225</u> |
| Total Assets | <u><u>\$9,225</u></u> |
| Net Assets | |
| Restricted | <u><u>\$9,225</u></u> |

See accompanying notes to the basic financial statements.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

STATEMENT FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Agency</u> |
|--|-----------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>0</u> |
| Total Assets | <u><u>0</u></u> |
| Net Assets | |
| Restricted | <u><u>0</u></u> |

See accompanying notes to the basic financial statements.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$577,666</u> |
| Total Assets | <u><u>\$577,666</u></u> |
| Net Assets | |
| Restricted for: | |
| Capital Projects | \$18,009 |
| Debt Service | 472 |
| Other Purposes | 410,792 |
| Unrestricted | <u>148,393</u> |
| Total Net Assets | <u><u>\$577,666</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Program Cash Receipts</u> | | | <u>Net (Disbursements) Receipts and Changes in Net Assets</u> | | |
|----------------------------------|------------------------------|--------------------------------------|--|---|-----------------------------|------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | |
| General Government | \$406,500 | | | (\$406,500) | | (\$406,500) |
| Security of Persons and Property | 323,215 | \$176,155 | | (147,060) | | (147,060) |
| Leisure Time Activities | 1,317 | | | (1,317) | | (1,317) |
| Basic Utility Services | 60,200 | 94,182 | \$34,546 | 68,528 | | 68,528 |
| Transportation | 38,873 | | | (38,873) | | (38,873) |
| Capital Outlay | 62,049 | | | (62,049) | | (62,049) |
| Debt Service | 20,662 | | | (20,662) | | (20,662) |
| Total Governmental Activities | <u>912,816</u> | <u>270,337</u> | <u>34,546</u> | <u>(607,933)</u> | | <u>(607,933)</u> |
| Business-Type Activities | | | | | | |
| Water | 426 | | | | (426) | (426) |
| Total Business-Type Activities | <u>426</u> | | | | <u>(426)</u> | <u>(426)</u> |
| Total | <u>\$913,242</u> | <u>\$270,337</u> | <u>\$34,546</u> | <u>(607,933)</u> | <u>(426)</u> | <u>(608,359)</u> |
| General Receipts | | | | | | |
| Property Taxes Levied for: | | | | | | |
| | | | | 539,339 | | 539,339 |
| | | | | 401,954 | | 401,954 |
| | | | | 2,700 | | 2,700 |
| | | | | 46,165 | | 46,165 |
| | | | | <u>990,158</u> | | <u>990,158</u> |
| | | | | | | |
| | | | | 382,225 | | 381,799 |
| | | | | 195,441 | 426 | 195,867 |
| | | | | <u>\$577,666</u> | | <u>\$577,666</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

| | General | Waste Fund | Capital Projects Fund | Street Maintenance & Repair Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|-----------------|-----------------------------|--|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$148,394 | \$15,673 | \$18,009 | \$10,864 | \$378,201 | \$571,141 |
| Total Assets | <u>\$148,394</u> | <u>\$15,673</u> | <u>\$18,009</u> | <u>\$10,864</u> | <u>\$378,201</u> | <u>\$571,141</u> |
| Fund Balances | | | | | | |
| Reserved: | | | | | | |
| Reserved for Encumbrances | \$575 | | | | \$113 | \$688 |
| Unreserved: | | | | | | |
| Undesignated (Deficit) Reported in: | | | | | | |
| General Fund | 147,819 | | | | | 147,819 |
| Special Revenue Funds | | \$15,673 | | \$10,864 | 377,616 | 404,153 |
| Capital Projects Fund | | | \$18,009 | | | 18,009 |
| Debt Service Fund | | | | | 472 | 472 |
| Total Fund Balances | <u>\$148,394</u> | <u>\$15,673</u> | <u>\$18,009</u> | <u>\$10,864</u> | <u>\$378,201</u> | <u>\$571,141</u> |

See accompanying notes to the basic financial statements.

**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, 2004**

| | General | Waste Fund | Capital Projects Fund | Street Maintenance & Repair Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-----------------|-----------------------------|--|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Property and Other Local Taxes | \$484,378 | | | | \$54,961 | \$539,339 |
| Charges for Services | | \$69,993 | | | 24,189 | 94,182 |
| Fines, Licenses, and Permits | 148,816 | | | | 27,339 | 176,155 |
| Intergovernmental | 8,616 | | | \$34,546 | 393,338 | 436,500 |
| Miscellaneous | 45,365 | | | | 800 | 46,165 |
| Total Receipts | <u>687,175</u> | <u>69,993</u> | | <u>34,546</u> | <u>500,627</u> | <u>1,292,341</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 389,081 | | | | 17,419 | 406,500 |
| Security of Persons and Property | 228,739 | | | | 91,776 | 320,515 |
| Leisure Time Activities | 1,317 | | | | | 1,317 |
| Basic Utility Services | | 60,200 | | | | 60,200 |
| Transportation | | | | 32,702 | 6,171 | 38,873 |
| Capital Outlay | | | 29,579 | | 32,470 | 62,049 |
| Debt Service | | | | | 20,662 | 20,662 |
| Total Disbursements | <u>619,137</u> | <u>60,200</u> | <u>29,579</u> | <u>32,702</u> | <u>168,498</u> | <u>910,116</u> |
| Excess of Receipts over (Under) Disbursements | 68,038 | 9,793 | (29,579) | 1,844 | 332,129 | 382,225 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers-out | (1,800) | | | (600) | (300) | (2,700) |
| Total Other Financing Sources (Uses) | <u>(1,800)</u> | | | <u>(600)</u> | <u>(300)</u> | <u>(2,700)</u> |
| Net Changes in Fund Balances | 66,238 | 9,793 | (29,579) | 1,244 | 331,829 | 379,525 |
| Fund Balances Beginning of Year | 82,156 | 5,880 | 47,588 | 9,620 | 46,372 | 191,616 |
| Fund Balances End of Year | <u>\$148,394</u> | <u>\$15,673</u> | <u>\$18,009</u> | <u>\$10,864</u> | <u>\$378,201</u> | <u>\$571,141</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Budgeted Amounts | | | Variance |
|--|------------------|-----------|-----------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Receipts | | | | |
| Property and Other Local Taxes | \$444,522 | \$444,522 | \$484,378 | \$39,856 |
| Fines, Licenses, and Permits | 120,000 | 120,000 | 148,816 | 28,816 |
| Intergovernmental | 8,520 | 8,520 | 8,616 | 96 |
| Miscellaneous | 52,000 | 52,000 | 45,365 | (6,635) |
| Total Receipts | 625,042 | 625,042 | 687,175 | 62,133 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 475,341 | 475,341 | 389,656 | 85,685 |
| Security of Persons and Property | 228,739 | 228,739 | 228,739 | |
| Leisure Time Activities | 1,317 | 1,317 | 1,317 | |
| Total Disbursements | 705,397 | 705,397 | 619,712 | 85,685 |
| Excess of Receipts over (Under) Disbursements | (80,355) | (80,355) | 67,463 | 147,818 |
| Other Financing Sources (Uses) | | | | |
| Transfers-out | (1,800) | (1,800) | (1,800) | |
| Total Other Financing Sources (Uses) | (1,800) | (1,800) | (1,800) | |
| Net Changes in Fund Balances | (82,155) | (82,155) | 65,663 | 147,818 |
| Fund Balances Beginning of Year | 82,156 | 82,156 | 82,156 | |
| Prior Year Encumbrances Appropriated | 750 | 750 | 750 | |
| Fund Balances End of Year | \$751 | \$751 | \$148,569 | \$147,818 |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
WASTE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance |
|--|-------------------------|-----------------|-----------------|--|
| | <u>Original</u> | <u>Final</u> | | Final Budget Positive (Negative) |
| Receipts | | | | |
| Charges for Services | <u>\$80,000</u> | <u>\$80,000</u> | <u>\$69,993</u> | <u>(\$10,007)</u> |
| Total Receipts | <u>80,000</u> | <u>80,000</u> | <u>69,993</u> | <u>(\$10,007)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Basic Utility Services | <u>85,880</u> | <u>85,880</u> | <u>60,200</u> | <u>25,680</u> |
| Total Disbursements | <u>85,880</u> | <u>85,880</u> | <u>60,200</u> | <u>25,680</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(5,880)</u> | <u>(5,880)</u> | <u>9,793</u> | <u>15,673</u> |
| Net Changes in Fund Balances | (5,880) | (5,880) | 9,793 | 15,673 |
| Fund Balances Beginning of Year | 5,880 | 5,880 | 5,880 | |
| Prior Year Encumbrances Appropriated | _____ | _____ | _____ | _____ |
| Fund Balances End of Year | <u>_____</u> | <u>_____</u> | <u>\$15,673</u> | <u>\$15,673</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------------|------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Charges for Services | | | | |
| Intergovernmental | \$30,000 | \$30,000 | \$34,546 | \$4,546 |
| Miscellaneous | | | | |
| Total Receipts | <u>30,000</u> | <u>30,000</u> | <u>34,546</u> | <u>4,546</u> |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | <u>39,620</u> | <u>39,620</u> | <u>32,702</u> | <u>6,918</u> |
| Total Disbursements | <u>39,620</u> | <u>39,620</u> | <u>32,702</u> | <u>6,918</u> |
| Excess of Receipts over (Under) Disbursements | (9,620) | (9,620) | 1,844 | 11,464 |
| Other Financing Sources (Uses) | | | | |
| Transfers-out | | | (600) | (600) |
| Total Other Financing Sources (Uses) | | | <u>(600)</u> | <u>(600)</u> |
| Net Changes in Fund Balances | (9,620) | (9,620) | 1,244 | 10,864 |
| Fund Balances Beginning of Year | 9,620 | 9,620 | 9,620 | |
| Prior Year Encumbrances Appropriated | <u>2,134</u> | <u>2,134</u> | <u>2,134</u> | |
| Fund Balances End of Year | <u><u>\$2,134</u></u> | <u><u>\$2,134</u></u> | <u><u>\$12,998</u></u> | <u><u>\$10,864</u></u> |

See accompanying notes to the basic financial statements.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2004

| | <u>Business-Type Activities</u> |
|--|--------------------------------------|
| | <u>Internal Service Fund</u> |
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$6,525</u> |
| Total Assets | <u><u>\$6,525</u></u> |
| Net Assets | |
| Restricted | <u><u>\$6,525</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 NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Business-Type Activities</u> | |
|---|-------------------------------------|--------------------------------------|
| | <u>Water Operating Fund</u> | <u>Internal Service Fund</u> |
| Operating Receipts | | |
| Charges for Services | | |
| Total Operating Receipts | | |
| Operating Disbursements | | |
| Basic Utility Services | \$426 | |
| Other Utility Services | | |
| Total Operating Disbursements | 426 | |
| Operating Income (Loss) | (426) | |
| Non-operating Receipts (Disbursements) | | |
| Transfers-in | | \$2,700 |
| Total Non-operating Receipts (Disbursements) | | 2,700 |
| Change in Net Assets | (426) | 2,700 |
| Net Assets Beginning of Year | 426 | 3,825 |
| Net Assets End of Year | 426 | \$6,525 |

See accompanying notes to the basic financial statements.

VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2004

| | <u>Agency</u> |
|--|-----------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>0</u> |
| Total Assets | <u><u>0</u></u> |
| Net Assets | |
| Restricted | <u><u>0</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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 President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units 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, water and sewer utilities, 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 of Arlington Heights has no component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 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

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies

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 activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. 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. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type 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 or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

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 and enterprise 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. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from the 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 fund statements report all other receipts and disbursements as nonoperating.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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.

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, and Street Maintenance and Repair 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 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.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise fund is the water fund.

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

Internal Service Funds - These funds may be used to account for operations, that provide services to other departments or agencies of the government. The Village had the following Internal Service Fund.

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

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. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village has one agency fund, Mayor's Court, which is used to record the collection and distribution of fines to various agencies as outlined by the Ohio Revised Code.

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

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
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FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. As a result of the use of this 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 expenses and liabilities) 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 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 certificate 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 Cash Equivalents

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 (contra revenue), respectively.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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.

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. 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.

I. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. 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.

K. 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 restricted for other purposes 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. Net assets restricted for other purposes include resources restricted for Water Fund, Capital Projects Fund, Street Maintenance and Repair Fund, Other Governmental Funds, and Other Internal Service Fund.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

L. 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.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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 in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 - CHANGE IN BASIS OF ACCOUNTING AND ACCOUNTING PRINCIPLES

For 2003, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2004 and 2005, the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The Village has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB Statement No. 40 modifies the disclosures for deposits and investments, and had no material effect on the financial statements.

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 - Budget Basis presented for the General Fund, Waste Fund and Street Maintenance and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis are outstanding year end encumbrances. In 2005, the encumbrances outstanding at year end amounted to \$151 and \$48 for the General and Waste funds, respectively. In 2004, the encumbrances outstanding at year end amounted to \$575 for the General Fund.

NOTE 5 - DEPOSITS

Monies held by the Village are classified by the 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.

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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.

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

- 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;
- 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;
- 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;
- Bonds and other obligations of the State of Ohio or Ohio local governments;
- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- 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;
- The State Treasurer's investment pool (STAROhio).

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.

**VILLAGE OF ARLINGTON HEIGHTS
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Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or 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. At year end the bank balances were \$452,584 and \$620,938, for 2005 and 2004, respectively. Of the bank balances, \$100,000 were insured by federal depository insurance.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003 were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

| | |
|---------------------------------------|---------------------|
| | <u>2005</u> |
| Real Property Residential/Agriculture | \$ 7,846,330 |
| Public Utility Property | \$ 1,020,260 |
| Tangible Personable Property | <u>\$ 4,366,390</u> |
| Total Assessed Value | <u>\$13,232,980</u> |

NOTE 7 - LOCAL INCOME TAX

The Village levies a municipal income tax of 2.1 percent on substantially all earned income arising from employment, residency, or business activities within the Village, as well as certain income of residents earned outside of the Village.

**VILLAGE OF ARLINGTON HEIGHTS
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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.

NOTE 8 - RISK MANAGEMENT

The Village has obtained commercial insurance coverage for the following risks:

- | | |
|-------------------------------|-------------------|
| - General Liability | - Property |
| - Public officials' liability | - Law enforcement |
| - Vehicles | - Inland Marine |

The Village also provides health insurance and dental and vision coverage to full-time employees through a commercial insurance provider

NOTE 9- DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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 year 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.

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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pensions benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The full amount has been contributed for 2005 and 2004.

B. Ohio Police and Fire Pension Fund

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 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 43125-5164.

**VILLAGE OF ARLINGTON HEIGHTS
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Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The full amount has been contributed for 2005 and 2004.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

the Ohio Public Employees Retirement System (OPERS) provides postretirement healthcare coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement healthcare coverage. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for funding of postretirement healthcare based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund healthcare.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Healthcare premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$17,702. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with the effective date of January 1, 2007. The HCPP restructures OPERS' healthcare coverage to improve the financial solvency of the fund in response to increasing healthcare costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the healthcare plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement healthcare coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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The healthcare coverage provided by the retirement system is considered an Other Postretirement Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide healthcare coverage and states that healthcare costs paid from the funds of OP&F shall be included in the employer's contribution rate. Healthcare funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment healthcare program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their healthcare coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly healthcare contributions.

NOTE 11 - NOTES PAYABLE

Debt outstanding at December 31, 2005 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------------|------------------|----------------------|
| General Obligation Note (2003) | \$ 83,072 | 4.09% |
| General Obligation Note (2005) | 20,499 | 4.40% |
| General Obligation Note (2005) | <u>16,036</u> | 4.40% |
| Total | <u>\$119,607</u> | |

The General Obligation Note (2003) of \$100,000 was issued to a commercial bank for building improvements. Principal and interest is to be paid in ten annual installments.

The General Obligation Note (2005) of \$20,498 was issued to a commercial bank to acquire a police cruiser. Principal and interest is to be paid in three annual installments.

The General Obligation Note (2005) of \$16,036 was issued to a commercial bank to acquire a dump truck. Principal and interest is to be paid in three annual installments.

The following is a summary of the Village's future debt service requirements:

| <u>General Obligation Note (2003)</u> | | | |
|---------------------------------------|------------------|-----------------|-----------------|
| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2006 | \$8,987 | \$3,398 | \$12,385 |
| 2007 | 9,354 | 3,030 | 12,384 |
| 2007 | 9,737 | 2,647 | 12,384 |
| 2009 | 10,135 | 2,249 | 12,384 |
| 2010 | 10,550 | 1,835 | 12,385 |
| 2011-2013 | <u>34,309</u> | <u>3,474</u> | <u>37,783</u> |
| | <u>\$83,072</u> | <u>\$16,633</u> | <u>\$99,705</u> |

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

General Obligation Note (2005)

| Year | Principal | Interest | Total |
|------|-----------------|----------------|-----------------|
| 2006 | \$6,541 | \$900 | \$7,441 |
| 2007 | 6,829 | 612 | 7,441 |
| 2008 | <u>7,129</u> | <u>312</u> | <u>7,441</u> |
| | <u>\$20,499</u> | <u>\$1,824</u> | <u>\$22,323</u> |

General Obligation Note (2005)

| Year | Principal | Interest | Total |
|------|-----------------|----------------|-----------------|
| 2006 | \$5,104 | \$755 | \$5,859 |
| 2007 | 5,335 | 524 | 5,859 |
| 2008 | <u>5,597</u> | <u>262</u> | <u>5,859</u> |
| | <u>\$16,036</u> | <u>\$1,541</u> | <u>\$17,577</u> |

The Ohio Revised Code (ORC) provides that the net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall not exceed 5.5 percent of the tax valuation of the Village. The ORC further provides that the total voted and unvoted net debt of the Village less the same exempt debt shall not exceed an amount equal to 10.5 percent of its tax valuation.

The following is a summary of the Village's debt activity for 2004 and 2005:

| | Balance December 31, 2003 | Additions | Reductions | Balance December 31, 2004 | Due Within One Year |
|------------------|---------------------------------|-----------------|----------------|---------------------------------|------------------------|
| G.O. Note (2003) | <u>\$100,000</u> | | <u>\$8,294</u> | <u>\$91,706</u> | <u>\$8,634</u> |
| | Balance December 31, 2004 | Additions | Reductions | Balance December 31, 2005 | Due Within One Year |
| G.O. Note (2003) | \$91,706 | | \$8,634 | \$83,072 | \$8,987 |
| G.O. Note (2005) | | \$20,499 | | \$20,499 | \$6,541 |
| G.O. Note (2005) | | <u>\$16,036</u> | | <u>\$16,036</u> | <u>\$5,104</u> |
| | <u>\$91,706</u> | <u>\$36,535</u> | <u>\$8,634</u> | <u>\$119,607</u> | <u>\$20,632</u> |

**VILLAGE OF ARLINGTON HEIGHTS
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

NOTE 12 - 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 future lease payments is as follows:

| <u>Year ending December 31:</u> | <u>Annual Payment</u> |
|--|---------------------------|
| 2006 | \$ 5,394 |
| 2007 | 5,394 |
| 2008 | <u>5,394</u> |
| | 16,182 |
| Less amount representing interest (5.75%) | <u>2,250</u> |
| Present value of future minimum lease payment | <u>\$13,935</u> |

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

NOTE 13 - INTERFUND TRANSFERS

| From: | To: | 2005 <u>Amount</u> | 2004 <u>Amount</u> |
|--------------------------------|------------------|-----------------------|-----------------------|
| General | Internal Service | \$ 1,800 | \$ 1,800 |
| Street, Maintenance and Repair | Internal Service | \$ 600 | \$ 600 |
| Other Governmental | Internal Service | \$ 300 | \$ 300 |

NOTE 14 - CONTINGENT LIABILITIES

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

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KNOX & KNOX

Accountants and Consultants

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

Village of Arlington Heights
Hamilton County
601 Elliott Avenue
Arlington Heights, Ohio 45205

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type 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, 2005 and 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 31, 2006 wherein we noted the Village revised its financial presentation comparable to the requirements of Government Accounting Standards Board Statement No. 34. 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 to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 31, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's basic 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 affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instance of noncompliance or other matters that we must report under *Government Auditing Standards*.

Village of Arlington Heights
Hamilton County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
July 31, 2006



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
APRIL 3, 2007**