

VILLAGE OF ARLINGTON

HANCOCK COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Members of Council
Village of Arlington
PO Box 699
Arlington, Ohio 45814

We have reviewed the *Report of Independent Accountants* of the Village of Arlington, Hancock County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. 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 is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 13, 2011

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**VILLAGE OF ARLINGTON
HANCOCK COUNTY
For the Year ended December 31, 2010
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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Arlington
Hancock County
204 North Main Street
P.O. Box 699
Arlington, Ohio 45814

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Arlington, Hancock County (the Village) as of and for the year ended December 31, 2010, 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 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is 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 basis financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village as of December 31, 2010, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and major special revenue funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2011 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

May 11, 2011

Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

This discussion and analysis of the Village of Arlington's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2010, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2010 are as follows:

In spite of difficult economic conditions, total net assets of the Village increased by \$62,847. The receipt of estate tax settlements and controlled spending attributed to the increase.

The Village's general receipts are primarily property and income taxes and unrestricted grants. General receipts represent 76 percent of the total cash received for governmental activities during the year.

The water, sanitary sewer, and swimming pool operations are the Village's most significant business-type activities. These activities accounted for 87 percent of all business-type activity revenues and 88 percent of expenditures.

The Village Fire Department received a grant from the Department of Homeland Security in the amount of \$38,770 for the purchase of vehicle extraction equipment. The grant included training for the firefighters on use of the equipment.

Using the Basic Financial Statements

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

Report Components

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

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

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

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 of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Arlington, Hancock County
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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 Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2010, 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, these changes can be one way of measuring 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, other nonfinancial factors should be considered 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 and income taxes.

In the statement of net assets and the statement of activities, the Village is divided into two types of activities:

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

Business-type activity. The Village's significant business-type activities include the provision of water and sanitary sewer and operations of the Village swimming pool. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

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

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.

Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The Village's major governmental funds are the General Fund, Street Construction Maintenance and Repair Fund, State Highway Fund, General Obligation Bond Retirement Fund and Fire Equipment Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide 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 three major enterprise funds, the Water Operating Fund, Sewer Operating Fund, and Swimming Pool Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2010 compared to 2009 on cash basis:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Cash and Cash						
Equivalents	\$ 431,613	\$ 398,233	\$ 497,387	\$ 467,921	\$929,000	\$866,154
Total Assets	<u>431,613</u>	<u>398,233</u>	<u>497,387</u>	<u>467,921</u>	<u>929,000</u>	<u>866,154</u>
Net Assets						
Restricted for:						
Capital Projects	24,208	11,136	-	-	24,208	11,137
Debt Service	7,111	5,874	-	-	7,111	5,874
Other Purposes	115,577	112,309	-	-	115,577	112,309
Unrestricted	<u>284,717</u>	<u>268,914</u>	<u>497,387</u>	<u>467,921</u>	<u>782,104</u>	<u>736,835</u>
Total Net Assets	<u>\$ 431,613</u>	<u>\$ 398,233</u>	<u>\$ 497,387</u>	<u>\$ 467,921</u>	<u>\$929,000</u>	<u>\$866,155</u>

Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Table 2 reflects the changes in net assets in 2010 compared to 2009.

Table 2
Changes in Net Assets

	Governmental Activities 2010	Governmental Activities 2009	Business Type Activities 2010	Business Type Activities 2009
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$ 35,166	\$ 34,810	\$ 380,810	\$ 396,625
Operating Grants and Contributions	65,495	64,405	9,000	-
Capital Grants and Contributions	38,770	4,500	-	-
Total Program Receipts	139,431	103,715	389,810	396,625
General Receipts:				
Property and Other Local Taxes	97,162	95,436	-	-
Special Assessments	61,565	62,170	-	-
Income Taxes	151,511	160,744	-	-
Grants and Entitlements Not Restricted to Specific Programs	92,682	109,132	-	-
Sale of Fixed Asset	-	1,896	-	-
Interest	24,569	26,589	-	-
Miscellaneous	8,271	5,986	1,330	1,521
Total General Receipts	435,760	461,953	1,330	1,521
Total Receipts	575,191	565,668	391,140	398,146
Disbursements:				
Security of Persons and Property	143,021	108,595	-	-
Public Health Services	8,571	7,501	-	-
Leisure Time Activities	-	8,887	-	-
Transportation	79,907	71,977	-	-
General Government	104,419	107,348	-	-
Capital Outlay	73,837	145,332	-	-
Principal Retirement	68,669	66,330	-	-
Interest and Fiscal Charges	15,366	18,739	-	-
Other Governmental	9,521	6,817	-	-
Water Operations	-	-	200,176	213,014
Sewer Operations	-	-	98,413	58,814
Swimming Pool	-	-	52,039	50,929
Sewage Bond Retirement	-	-	26,750	28,650
Park Operations	-	-	22,626	22,792
Apple Grove Maintenance	-	-	170	638
Total Disbursements	503,311	541,526	400,174	374,837
Excess (Deficiency) Before Transfers	71,880	24,142	(9,034)	23,309
Transfers	(38,500)	(43,000)	38,500	43,000
Increase in Net Assets	33,380	(18,858)	29,466	66,309
Net Assets, January 1	398,233	417,091	467,921	401,612
Net Assets, December 31	\$ 431,613	\$ 398,233	\$ 497,387	\$ 467,921

Governmental program receipts represent 24 percent of total governmental receipts and are primarily comprised of charges to surrounding townships for fire services provided under contract.

Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

General governmental receipts represent 76 percent of the Village's total governmental receipts, and of this amount, approximately 71 percent are local taxes and special assessments for street repair and street lighting. State and federal grants and entitlements make up 21 percent of the Village's general receipts. Interest and other receipts make up the remaining 8 percent.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. Security of persons and property are the costs of police and fire protection and street lighting. Transportation is the cost of maintaining the roads and alleys.

Governmental Activities

The Statement of Activities shows the major services provided by the Village in the first column. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between 2010 and 2009 total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost Of Services 2010	Net Cost of Services 2010	Total Cost Of Services 2009	Net Cost of Services 2009
Security of Persons and Property	\$ 143,021	\$ 69,971	\$ 108,595	\$ 74,434
Public Health Services	8,571	8,571	7,501	7,501
Leisure Time Activities	-	-	8,887	6,126
Transportation	79,907	14,412	71,977	7,572
General Government	104,419	103,533	107,348	104,960
Capital Outlay	73,837	73,837	145,332	145,332
Principal Retirement	68,669	68,669	66,330	66,330
Interest and Fiscal Charges	15,366	15,366	18,739	18,739
Other	9,521	9,521	6,817	6,817
Total Expenses	\$ 503,311	\$ 363,880	\$ 541,526	\$ 437,811

Business-Type Activities

With the exception of Swimming Pool and Park operations, the business-type activities are supported by charges for services. Transfers from the General Fund are necessary to support the Swimming Pool and Park operations.

The Village's Funds

Total governmental funds had receipts and other financing sources of \$635,191 and disbursements and other financing uses of \$601,811. Business-type activities funds had receipts and other financing sources of \$429,640 and disbursements and other financing uses of \$400,174.

General Fund Budgeting Highlights

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

Final disbursements and other financing uses were budgeted at \$335,873 while actual disbursements and other financing uses were \$290,232. Beginning in 2008, the Village changed the budgeting procedure. Rather than appropriating all available resources, the original budget was based on the Certificate of Estimated Resources submitted to and approved by the Hancock County Auditor. As needed, funds were appropriated from carry-over balances.

Capital Assets and Debt Administration

Capital Assets

The Village does not record its capital assets and infrastructure on the financial statements.

Debt

At December 31, 2010, the Village's outstanding debt included \$105,000 in general obligation bonds issued for swimming pool improvements and construction of the Village hall, and \$1,400,940 in a combination of mortgage revenue bonds, OPWC and OWDA loans issued to finance utility system construction and improvements, and a commercial loan for the fire truck purchased in 2007. For further information regarding the Village's debt, refer to the notes to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Village relies heavily on local taxes and has very little industry to support the tax base. The Village of Arlington is a rural village located in southern Hancock County. The Village serves approximately 1,300 citizens and employs two full time and approximately 20-25 part-time/seasonal employees. The Village receives the majority of its funding from property and income taxes and charges for services from its utility systems.

Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Donna Corbin, Fiscal Officer, Village of Arlington, 204 North Main Street, P.O. Box 699, Arlington, Ohio 45814-0699.

Village of Arlington, Hancock County
Statement of Net Assets - Cash Basis
 December 31, 2010

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 431,613	\$ 497,387	\$ 929,000
<i>Total Assets</i>	\$ 431,613	\$ 497,387	\$ 929,000
Net Assets			
Restricted for:			
Capital Projects	\$ 24,208	-	\$ 24,208
Debt Service	7,111	-	7,111
Other Purposes	115,577	-	115,577
Unrestricted	284,717	\$ 497,387	782,104
<i>Total Net Assets</i>	\$ 431,613	\$ 497,387	\$ 929,000

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2010

	General	Street Construction Maintenance and Repair	State Highway	General Obligation Bond Retirement	Fire Equipment	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 284,717	\$ 10,523	\$ 57,022	\$ 7,111	\$ 24,208	\$ 48,032	\$ 431,613
<i>Total Assets</i>	<u>\$ 284,717</u>	<u>\$ 10,523</u>	<u>\$ 57,022</u>	<u>\$ 7,111</u>	<u>\$ 24,208</u>	<u>\$ 48,032</u>	<u>\$ 431,613</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$ 1,671	\$ 1,065	\$ -	\$ -	\$ -	\$ 4,313	\$ 7,049
Unreserved:							
Undesignated, Reported in:							
General Fund	283,046	-	-	-	-	-	283,046
Special Revenue Funds	-	9,458	57,022	-	-	43,719	110,199
Debt Service Fund	-	-	-	7,111	-	-	7,111
Capital Projects Funds	-	-	-	-	24,208	-	24,208
<i>Total Fund Balances</i>	<u>\$ 284,717</u>	<u>\$ 10,523</u>	<u>\$ 57,022</u>	<u>\$ 7,111</u>	<u>\$ 24,208</u>	<u>\$ 48,032</u>	<u>\$ 431,613</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Street Construction Maintenance and Repair	State Highway	General Obligation Bond Retirement	Fire Equipment	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 50,985	-	-	-	\$ 46,177	-	\$ 97,162
Municipal Income Taxes	151,511	-	-	-	-	-	151,511
Intergovernmental	77,156	\$ 59,791	\$ 5,705	-	15,525	\$ 38,770	196,947
Special Assessments	-	-	-	-	-	61,565	61,565
Charges for Services	-	-	-	-	-	34,280	34,280
Fines, Licenses and Permits	886	-	-	-	-	-	886
Earnings on Investments	23,071	210	1,288	-	-	-	24,569
Miscellaneous	-	7,516	-	-	-	-	7,516
<i>Total Receipts</i>	<u>303,609</u>	<u>67,517</u>	<u>6,993</u>	<u>-</u>	<u>61,702</u>	<u>134,615</u>	<u>574,436</u>
Disbursements							
Current:							
Security of Persons and Property	23,635	-	-	-	23,358	96,028	143,021
Public Health Services	8,571	-	-	-	-	-	8,571
Transportation	6,394	70,363	3,150	-	-	-	79,907
General Government	104,395	-	-	-	-	24	104,419
Capital Outlay	37,545	-	-	-	-	36,292	73,837
Debt Service:							
Principal Retirement	-	-	-	\$ 50,000	18,669	-	68,669
Interest and Fiscal Charges	-	-	-	8,763	6,603	-	15,366
<i>Total Disbursements</i>	<u>180,540</u>	<u>70,363</u>	<u>3,150</u>	<u>58,763</u>	<u>48,630</u>	<u>132,344</u>	<u>493,790</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	123,069	(2,846)	3,843	(58,763)	13,072	2,271	80,646
Other Financing Sources (Uses)							
Transfers In	-	-	-	60,000	-	-	60,000
Transfers Out	(98,500)	-	-	-	-	-	(98,500)
Other Financing Sources	755	-	-	-	-	-	755
Other Financing Uses	(9,521)	-	-	-	-	-	(9,521)
<i>Total Other Financing Sources (Uses)</i>	<u>(107,266)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>(47,266)</u>
<i>Net Change in Fund Balances</i>	15,803	(2,846)	3,843	1,237	13,072	2,271	33,380
<i>Fund Balances Beginning of Year</i>	<u>268,914</u>	<u>13,369</u>	<u>53,179</u>	<u>5,874</u>	<u>11,136</u>	<u>45,761</u>	<u>398,233</u>
<i>Fund Balances End of Year</i>	<u>\$ 284,717</u>	<u>\$ 10,523</u>	<u>\$ 57,022</u>	<u>\$ 7,111</u>	<u>\$ 24,208</u>	<u>\$ 48,032</u>	<u>\$ 431,613</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 53,500	\$ 59,187	\$ 50,985	\$ (8,202)
Municipal Income Taxes	160,000	160,000	151,511	(8,489)
Intergovernmental	45,660	38,994	77,156	38,162
Fines, Licenses and Permits	2,500	2,500	886	(1,614)
Earnings on Investments	28,000	28,000	23,071	(4,929)
<i>Total receipts</i>	<u>289,660</u>	<u>288,681</u>	<u>303,609</u>	<u>14,928</u>
Disbursements				
Current:				
Security of Persons and Property	30,000	29,300	24,736	4,564
Public Health Services	8,000	8,700	8,571	129
Transportation	7,800	7,090	6,394	696
General Government	121,573	125,923	104,841	21,082
Capital Outlay	5,500	41,860	37,669	4,191
<i>Total Disbursements</i>	<u>172,873</u>	<u>212,873</u>	<u>182,211</u>	<u>30,662</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>116,787</u>	<u>75,808</u>	<u>121,398</u>	<u>45,590</u>
Other Financing Sources (Uses)				
Transfers Out	(113,000)	(110,000)	(98,500)	11,500
Other Financing Sources	5,000	5,000	755	(4,245)
Other Financing Uses	(10,000)	(13,000)	(9,521)	3,479
<i>Total Other Financing Sources (Uses)</i>	<u>(118,000)</u>	<u>(118,000)</u>	<u>(107,266)</u>	<u>10,734</u>
<i>Net Change in Fund Balance</i>	(1,213)	(42,192)	14,132	56,324
<i>Fund Balance Beginning of Year</i>	266,801	266,801	266,801	-
Prior Year Encumbrances Appropriated	2,113	2,113	2,113	-
<i>Fund Balance End of Year</i>	<u>\$ 267,701</u>	<u>\$ 226,722</u>	<u>\$ 283,046</u>	<u>\$ 56,324</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Street Construction Maintenance and Repair Fund
 For the Year Ended December 31, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 62,800	\$ 62,800	\$ 59,791	\$ (3,009)
Earnings on Investments	1,500	1,500	210	(1,290)
Miscellaneous	7,700	7,700	7,516	(184)
<i>Total receipts</i>	<u>72,000</u>	<u>72,000</u>	<u>67,517</u>	<u>(4,483)</u>
Disbursements				
Current:				
Transportation	72,952	82,952	71,428	11,524
<i>Total Disbursements</i>	<u>72,952</u>	<u>82,952</u>	<u>71,428</u>	<u>11,524</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	(952)	(10,952)	(3,911)	7,041
<i>Fund Balance Beginning of Year</i>	12,325	12,325	12,325	-
Prior Year Encumbrances Appropriated	1,044	1,044	1,044	-
<i>Fund Balance End of Year</i>	<u>\$ 12,417</u>	<u>\$ 2,417</u>	<u>\$ 9,458</u>	<u>\$ 7,041</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
State Highway Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 5,800	\$ 5,800	\$ 5,705	\$ (95)
Earnings on Investments	200	200	1,288	1,088
<i>Total receipts</i>	<u>6,000</u>	<u>6,000</u>	<u>6,993</u>	<u>993</u>
Disbursements				
Current:				
Transportation	6,000	6,000	3,150	2,850
<i>Total Disbursements</i>	<u>6,000</u>	<u>6,000</u>	<u>3,150</u>	<u>2,850</u>
<i>Net Change in Fund Balance</i>	-	-	3,843	3,843
<i>Fund Balance Beginning of Year</i>	<u>53,179</u>	<u>53,179</u>	<u>53,179</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 53,179</u>	<u>\$ 53,179</u>	<u>\$ 57,022</u>	<u>\$ 3,843</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2010

	Business-Type Activities				
	Water Operating Fund	Sewer Operating Fund	Swimming Pool Fund	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$ 177,743</u>	<u>\$ 267,763</u>	<u>\$ 448</u>	<u>\$ 51,433</u>	<u>\$ 497,387</u>
Net Assets					
Unrestricted	<u>\$ 177,743</u>	<u>\$ 267,763</u>	<u>\$ 448</u>	<u>\$ 51,433</u>	<u>\$ 497,387</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2010*

	Business-Type Activities				Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Swimming Pool Fund	Other Enterprise Funds	
Operating Receipts					
Charges for Services	\$ 229,910	\$ 96,500	\$ 22,107	\$ 32,873	\$ 381,390
<i>Total Operating Receipts</i>	<u>229,910</u>	<u>96,500</u>	<u>22,107</u>	<u>32,873</u>	<u>381,390</u>
Operating Disbursements					
Personal Services	23,566	22,384	24,269	5,798	76,017
Employee Fringe Benefits	5,743	4,766	3,750	1,026	15,285
Contractual Services	30,665	26,053	8,907	2,284	67,909
Supplies and Materials	39,515	23,610	15,113	4,796	83,034
<i>Total Operating Disbursements</i>	<u>99,489</u>	<u>76,813</u>	<u>52,039</u>	<u>13,904</u>	<u>242,245</u>
<i>Operating Income (Loss)</i>	130,421	19,687	(29,932)	18,969	139,145
Non-Operating Receipts (Disbursements)					
Other Non-Operating Receipts	-	-	-	650	650
Capital Outlay	-	(21,600)	-	(8,892)	(30,492)
Principal Payments	(79,525)	-	-	(17,900)	(97,425)
Other Financing Sources	-	100	-	-	100
Grants	-	-	-	9,000	9,000
Other Financing Uses	-	-	-	(8,850)	(8,850)
Interest and Fiscal Charges	(21,162)	-	-	-	(21,162)
<i>Total Non-Operating Receipts(Disbursements)</i>	<u>(100,687)</u>	<u>(21,500)</u>	<u>-</u>	<u>(25,992)</u>	<u>(148,179)</u>
<i>Income/(Loss) before Transfers</i>	29,734	(1,813)	(29,932)	(7,023)	(9,034)
Transfers In	-	-	26,000	12,500	38,500
<i>Change in Net Assets</i>	29,734	(1,813)	(3,932)	5,477	29,466
<i>Net Assets Beginning of Year</i>	<u>148,009</u>	<u>269,576</u>	<u>4,380</u>	<u>45,956</u>	<u>467,921</u>
<i>Net Assets End of Year</i>	<u>\$ 177,743</u>	<u>\$ 267,763</u>	<u>\$ 448</u>	<u>\$ 51,433</u>	<u>\$ 497,387</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 1 – Reporting Entity

The Village of Arlington, Hancock 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. One Council member serves as Council President based on a majority vote of Council. The Mayor is elected to a four-year term.

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 streets, and park operations. The Hancock County Sheriff is contracted for police services. The Village residents approved a tax levy, which along with charges for services to the various surrounding townships and transfers from the General Fund, support a volunteer Fire Department.

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 of 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.

Based on the above criteria, the Village has no component units.

The financial statements exclude the following entities, which perform activities within the Village's boundaries for the benefit of its residents, because the Village is not financially accountable for these entities nor are they fiscally dependent on the Village:

Arlington Local School District
Appleseed Joint Ambulance District

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

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

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 Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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. 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 non-exchange 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. Non-major funds are aggregated and presented in a single column.

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

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

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 two categories governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund, General Obligation Bond Retirement Fund and Fire Equipment 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 Street Construction Maintenance and Repair Fund and the State Highway Fund receive motor vehicle and gasoline license taxes for the upkeep and maintenance of Village streets and alleys. The General Obligation Bond Retirement Fund receives transfers from the General Fund to pay principal and interest payments on bonds issued for the construction of the Village Townhall and replacement of the Village swimming pool. The Fire Equipment Fund receives property taxes and State grants for purchasing and maintaining fire equipment. 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 enterprise funds.

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 funds are the water, sewer and swimming pool funds.

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Swimming Pool Fund - The Swimming Pool Fund accounts for the operations of the Village swimming pool.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

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 are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. 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 object level for all funds.

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

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

E. Cash and Investments

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

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

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

During 2010, the Village invested in non-negotiable certificates of deposit.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. In 2010, interest receipts totaling \$24,569 were credited to the General Fund, Street Construction Repair and Maintenance Fund, and the State Highway Fund.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets at December 31, 2010.

G. 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.

H. 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.

I. Inter-fund Receivables/Payables

The Village reports advances-in and advances-out for inter-fund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Village had no outstanding advances at December 31, 2010.

J. 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.

K. 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 post-retirement health care benefits.

L. 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.

M. 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 uses required by the funding source.

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.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

N. Fund Balance Reserves

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

O. Inter-fund 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 inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Village had no extraordinary or special items to report in 2010.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, the Street Construction Maintenance and Repair Fund, and the State Highway Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,671 for the General Fund, \$1,065 for the Street Construction, Maintenance and Repair Fund, and \$0 for the State Highway Fund.

Note 4 – Deposits and Investments

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

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

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

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:

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

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

At year end, the Village had no undeposited cash on hand.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. In 2008, the minimum FDIC coverage was increased from \$100,000 to \$250,000. At year end, \$73,150 of the Village's total bank balances of \$923,033 were exposed to custodial credit risk because those deposits are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Note 5 – Income Taxes

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

Note 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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2009, 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 2010 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009, on the true value as of December 31, 2009. 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.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2008-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed value upon which the 2010 collections were based was \$21,200,740. The tax rate applicable to the 2010 collections was 5.2 mills.

Note 7 – Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$350,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage exceeding \$3,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$3,000,000.

Property Coverage

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2009 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$37,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets (Unrestricted)	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, the liabilities noted above include approximately \$15 million of incurred claims payable. The assets and retained earnings for each year shown above also include approximately \$8 million of contributions to be billed to approximately 445 member governments in the future as of December 31, 2009. The amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$31,216. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. The Village became a member of PEP in 2005.

<u>Contributions to PEP</u>	
2008	\$18,282
2009	\$16,642
2010	\$15,608

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal. In 2010, the Village received a loyalty credit from PEP in the amount of \$1,675.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 8 – Defined Benefit Pension Plans

The employees of the Village are covered by the Ohio Public Employees Retirement System (OPERS). The State of Ohio accounts for the activities of the retirement system and the amounts of these funds are not reflected in the accompanying financial statements.

OPERS administers three separate pension plans; The Traditional Pension Plan, the Member-Directed Plan, and the Combined Plan. The Traditional plan is a cost sharing, multiple-employer defined benefit plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings. The Combined Plan is a cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Village to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or (800) 222-7377.

The Ohio Revised Code provides statutory Village for employee and employer contributions. The employee contribution rates are 10% of covered payroll for employees. For local government employer units the rate was 14% of covered payroll. The Village's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2010, was \$21,403 which equals 100 percent of the amount billed by OPERS.

Note 9 – Post-Employment Benefits

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Village to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

The Ohio Revised Code provides the statutory Village requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Village's contributions for post-employment benefits were \$167,396 for the year ended December 31, 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 10 – Debt

Debt outstanding at December 31, 2010, was as follows:

	Interest Rate	Principal Outstanding at 12/31/09	Principal Issued	Principal Retired	Principal Outstanding at 12/31/10	Amount Due in One Year
Sewer System Mortgage Bonds	5.00%	\$ 174,000	\$ -	\$ 17,900	\$ 156,100	\$ 20,000
OPWC South Main Street Waterline	0.00%	10,274	-	3,425	6,849	3,425
OWDA Waterline	6.56%	6,630	-	6,630	-	-
Town Hall/Swimming Pool GO Bonds	5.63%	155,000	-	50,000	105,000	50,000
OPWC East Alley Waterline	0.00%	65,894	-	6,590	59,304	6,590
OWDA Water Plant Construction	2.00%	1,050,938	-	58,462	992,476	58,462
OPWC West Alley Waterline	0.00%	66,283	-	4,419	61,864	4,419
Fire Truck Loan	4.84%	143,015	-	18,669	124,346	18,669
		<u>\$ 1,672,034</u>	<u>\$ -</u>	<u>\$ 166,094</u>	<u>\$ 1,505,940</u>	<u>161,565</u>

Proceeds from the Sewer System Mortgage Bonds were used to finance sewer improvements and pay off notes that were of the bond anticipation type. Property and revenues of the utility system have been pledged for the repayment of this debt.

The loan from the Ohio Public Works Commission for the South Main Street Waterline Project was used to finance waterline replacements. The interest-free loan will be paid back with the regular monthly water charges which are received from residents of the Village.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

The Ohio Water Development Authority (OWDA) Waterline loan relates to the Waterline Project. The loan is being repaid in semi-annual installments, including interest, over 15 years. In 2010, the loan was repaid in full with regular monthly water charges.

The Town Hall/Swimming Pool General Obligation Bonds were issued for the purpose of constructing a new municipal complex and a new swimming pool within the Village. The bonds were issued in 1997 in the amount of \$600,000 to be repaid over 15 years with interest paid semi-annually.

The Ohio Public Works Commission (OPWC) loan relates to an East Alley Waterline Replacement Project. The OPWC loaned the Village \$131,791 for this project. The loan will be repaid in semi-annual installments of \$3,295, with no interest, over 20 years.

The Ohio Water Development Authority (OWDA) loan relates to water plant construction. The OWDA approved up to \$1,616,550 in loans to the Village for this project. The loans will be repaid in semi-annual installments of \$39,595, including interest, over 25 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to a West Alley Waterline Replacement Project. The OPWC loaned the Village \$88,378 for this project. The loan will be repaid in semi-annual installments of \$2,209, with no interest, over 20 years.

In October 2007, the Village secured a commercial loan from Fifth Third Bank in the amount \$200,000 for financing the new fire truck. The loan is repaid through direct withdrawal from the secondary checking account. The required monthly payment is \$2,106 (including principal and interest). The loan is paid from semi-annual property tax receipts specifically for the purpose of fire apparatus.

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

Year ending December 31:	Sewer System Mortgage Bonds	OPWC South Main Street Waterline Loan	Town Hall/ Swimming Pool General Obligation Bonds	OPWC East Alley Waterline Loan	OWDA Water Plant Construction Loan	OPWC West Alley Waterline Loan	Fire Truck Loan
2011	\$ 26,900	\$ 3,425	\$ 55,988	\$ 6,590	\$ 79,190	\$ 4,419	\$ 25,000
2012	26,850	3,424	58,163	6,590	79,190	4,419	25,000
2013	26,850	-	-	6,590	79,190	4,419	25,000
2014	26,850	-	-	6,590	79,190	4,419	25,000
2015	26,850	-	-	6,590	79,190	4,419	25,000
2016-2021	54,650	-	-	26,354	395,950	22,095	17,345
2022-2027	-	-	-	-	356,355	17,674	-
Total	<u>\$ 188,950</u>	<u>\$ 6,849</u>	<u>\$ 114,151</u>	<u>\$ 59,304</u>	<u>\$ 1,148,255</u>	<u>\$ 61,864</u>	<u>\$ 142,345</u>

Note 11 - Inter-fund Transfers

During 2010, the following transfers were made:

<u>Transfers from the General Fund to:</u>	
Townhall/Pool Bond Retirement Fund	\$60,000
Swimming Pool Fund	26,000
Park Operating Fund	<u>12,500</u>
TOTAL	<u>\$98,500</u>

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 12 - Contingent Liabilities

The Village is not currently involved in any lawsuits.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the state government. Grantors may require refunding any disallowed costs. Presently, the Village is not aware of any amounts that may be disallowed by grantors.

Charles E. Harris & Associates, Inc.
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Arlington
Hancock County
204 North Main Street
P.O. Box 699
Arlington, Ohio 45814

To the Village Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Arlington, Hancock County, Ohio (the Village) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 11, 2011, wherein we noted that the Village followed a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected.

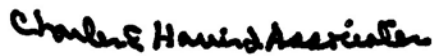
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated May 11, 2011.

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



Charles E. Harris and Associates, Inc.
May 11, 2011

VILLAGE OF ARLINGTON
HANCOCK COUNTY, OHIO
For the Year Ended December 31, 2010

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2009, reported no material citations or recommendations.



Dave Yost • Auditor of State

VILLAGE OF ARLINGTON

HANCOCK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 28, 2011