



Dave Yost • Auditor of State

VILLAGE OF ARLINGTON
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Arlington
Hancock County
P.O. Box 699
Arlington, Ohio 45814

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Arlington, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Arlington, Hancock County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 24, 2018

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$48,608	\$50,704	\$19,814	\$119,126
Municipal Income Tax	195,660			195,660
Intergovernmental	31,190	77,126	706	109,022
Special Assessments		73,168		73,168
Charges for Services		45,944		45,944
Fines, Licenses and Permits	2,571			2,571
Earnings on Investments	7,661	851		8,512
Miscellaneous	5,420	7,467		12,887
<i>Total Cash Receipts</i>	<u>291,110</u>	<u>255,260</u>	<u>20,520</u>	<u>566,890</u>
Cash Disbursements				
Current:				
Security of Persons and Property	35,114	84,239		119,353
Public Health Services	5,741			5,741
Leisure Time Activities	77			77
Transportation	6,962	81,074		88,036
General Government	108,008	28		108,036
Capital Outlay		23,586		23,586
Debt Service:				
Principal Retirement		36,552		36,552
Interest and Fiscal Charges		535		535
<i>Total Cash Disbursements</i>	<u>155,902</u>	<u>226,014</u>		<u>381,916</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>135,208</u>	<u>29,246</u>	<u>20,520</u>	<u>184,974</u>
Other Financing Receipts (Disbursements):				
Sale of Capital Assets	600			600
Transfers In		20,000		20,000
Transfers Out	(85,000)			(85,000)
Other Financing Sources	2,302	1,517		3,819
Other Financing Uses	(10,992)			(10,992)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(93,090)</u>	<u>21,517</u>		<u>(71,573)</u>
<i>Net Change in Fund Cash Balances</i>	42,118	50,763	20,520	113,401
<i>Fund Cash Balances, January 1</i>	<u>132,330</u>	<u>135,674</u>		<u>268,004</u>
Fund Cash Balances, December 31				
Restricted		186,437	20,520	206,957
Assigned	174,448			174,448
<i>Fund Cash Balances, December 31</i>	<u>\$174,448</u>	<u>\$186,437</u>	<u>\$20,520</u>	<u>\$381,405</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$379,250
Miscellaneous	1,850
	381,100
 Operating Cash Disbursements	
Personal Services	96,696
Employee Fringe Benefits	14,760
Contractual Services	87,831
Supplies and Materials	90,726
	290,013
 <i>Total Operating Cash Receipts</i>	 381,100
 <i>Total Operating Cash Disbursements</i>	 290,013
 <i>Operating Income</i>	 91,087
 Non-Operating Receipts (Disbursements)	
Intergovernmental	12,500
Sale of Notes	49,500
Miscellaneous Receipts	8,174
Capital Outlay	(64,239)
Principal Retirement	(137,040)
Interest and Other Fiscal Charges	(22,487)
Other Financing Sources	564
Other Financing Uses	(1,030)
	(154,058)
 <i>Total Non-Operating Receipts (Disbursements)</i>	 (154,058)
 <i>Loss before Transfers</i>	 (62,971)
 Transfers In	77,500
Transfers Out	(12,500)
	2,029
 <i>Net Change in Fund Cash Balances</i>	 2,029
 <i>Fund Cash Balances, January 1</i>	 483,961
 <i>Fund Cash Balances, December 31</i>	 \$485,990

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Arlington (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. Through November 30, 2016 the Village contracted with the Hancock County Sheriff's department to provide security of persons and property.

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. PEP provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Fire Operating Fund The fire operating fund accounts for and reports proceeds from a 2.5 mill levy and fire service contracts to provide fire protection for the Village and surrounding Townships.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Fire Equipment Fund The fire equipment fund accounts for and reports proceeds from a 1 mill levy for the specific purpose of purchasing vehicles and equipment.

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

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

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

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,967	\$294,012	\$33,045
Special Revenue	318,721	276,777	(41,944)
Capital Projects	20,723	20,520	(203)
Enterprise	595,850	529,338	(66,512)
Total	<u>\$1,196,261</u>	<u>\$1,120,647</u>	<u>(\$75,614)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$400,523	\$252,212	\$148,311
Special Revenue	447,169	229,750	217,419
Enterprise	1,061,608	531,926	529,682
Total	<u>\$1,909,300</u>	<u>\$1,013,888</u>	<u>\$895,412</u>

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 4 – Deposits

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

	<u>2016</u>
Demand deposits	\$287,395
Certificates of deposit	580,000
Total deposits	<u>867,395</u>

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 6 – Transfers

During 2016 the Village transferred \$85,000 from the General Fund to the Street Fund (\$20,000), Swimming Pool Fund (\$30,000) and the Park Fund (\$35,000). The Village also transferred \$12,500 from the Park Operating Fund to the Park Building Construction Fund.

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.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$16,000.

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.

<u>2016 Contributions to PEP</u>
\$25,984

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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 PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Social Security

Some Village officials and employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Bonds	\$26,000	5.00%
OPWC East Alley Waterline	19,767	0.00%
OWDA Water Plant Construction	616,185	2.00%
OPWC West Alley Waterline	35,351	0.00%
OWDA Main Cross / Sunset Waterline Replacement	205,407	2.59%
Park Building Loan	28,407	2.80%
Total	<u>\$931,117</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 taxes and revenues of the utility system have been pledged for the repayment of this debt.

The OPWC East Alley Waterline loan relates to a waterline replacement project. The Ohio Public Works Commission loaned the Village \$131,791 for this project. The loan will be repaid in semiannual installments with no interest, over 20 years.

The OWDA Water Plant Construction loan relates to water plant construction. The Ohio Water Development Authority approved up to \$1,616,550 in loans to the Village for this project. The loans will be repaid in semi-annual installments, 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.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

The OWDA Main Cross / Sunset Waterline loan related to a waterline replacement project. The loan will be repaid from the enterprise funds semi-annually to be paid over 20 years.

In 2016 the Village secured a commercial loan from Commercial Savings Bank in the amount of \$49,500 at an interest rate of 2.8% to construct a shelter house in the Village Park. The Loan will be repaid through park user fees, building rental fees and a grant received from the Hancock County Park District.

Leases

In 2015 the Village entered into a capital lease for a mower. The lease is for 24 months at a cost of \$382 per month with final payment scheduled for October 2017.

Amortization

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

Year ending December 31:	Sewer System Mortgage Bonds	OPWC East Alley Waterline Loan	OWDA Water Plant Construction Loan	OPWC West Alley Waterline Loan	OWDA Main Cross/Sunset Waterline Loan	Park Building Loan
2017	\$27,300	\$6,589	\$79,189	\$4,419	\$14,046	\$10,631
2018		6,589	79,190	4,419	14,045	10,632
2019		6,589	79,190	4,419	14,045	8,298
2020			79,189	4,419	14,045	
2021			79,189	4,419	14,045	
2022-2026			277,165	13,256	70,225	
2027-2031					70,225	
2032-2036					49,159	
Total	<u>\$27,300</u>	<u>\$19,767</u>	<u>\$673,112</u>	<u>\$35,351</u>	<u>\$259,835</u>	<u>\$29,561</u>

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**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$59,731	\$43,495	\$103,226
Municipal Income Tax	186,523		186,523
Intergovernmental	24,560	68,902	93,462
Special Assessments		68,469	68,469
Charges for Services		43,760	43,760
Fines, Licenses and Permits	1,791		1,791
Earnings on Investments	6,281	664	6,945
Miscellaneous		448	448
<i>Total Cash Receipts</i>	<u>278,886</u>	<u>225,738</u>	<u>504,624</u>
Cash Disbursements			
Current:			
Security of Persons and Property	33,089	69,921	103,010
Public Health Services	3,540		3,540
Leisure Time Activities	1,499		1,499
Transportation	6,765	104,691	111,456
General Government	151,305	13	151,318
Capital Outlay		94,287	94,287
Debt Service:			
Principal Retirement		36,801	36,801
Interest and Fiscal Charges		1,599	1,599
<i>Total Cash Disbursements</i>	<u>196,198</u>	<u>307,312</u>	<u>503,510</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>82,688</u>	<u>(81,574)</u>	<u>1,114</u>
Other Financing Receipts/(Disbursements):			
Transfers In		45,000	45,000
Transfers Out	(121,800)		(121,800)
Other Financing Sources	1,251	1,350	2,601
Other Financing Uses	(5,610)		(5,610)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(126,159)</u>	<u>46,350</u>	<u>(79,809)</u>
<i>Net Change in Fund Cash Balances</i>	(43,471)	(35,224)	(78,695)
<i>Fund Cash Balances, January 1</i>	<u>175,801</u>	<u>170,898</u>	<u>346,699</u>
Fund Cash Balances, December 31			
Restricted		135,674	135,674
Assigned	132,330		132,330
<i>Fund Cash Balances, December 31</i>	<u>\$132,330</u>	<u>\$135,674</u>	<u>\$268,004</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$380,942
Operating Cash Disbursements	
Personal Services	119,085
Employee Fringe Benefits	20,227
Contractual Services	87,664
Supplies and Materials	128,494
<i>Total Operating Cash Disbursements</i>	355,470
<i>Operating Income</i>	25,472
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	110
Capital Outlay	(690)
Principal Retirement	(97,279)
Interest and Other Fiscal Charges	(21,122)
Other Financing Sources	16,598
Other Financing Uses	(920)
<i>Total Non-Operating Receipts (Disbursements)</i>	(103,303)
<i>Loss before Transfers</i>	(77,831)
Transfers In	76,800
<i>Net Change in Fund Cash Balances</i>	(1,031)
<i>Fund Cash Balances, January 1</i>	484,992
<i>Fund Cash Balances, December 31</i>	\$483,961

See accompanying notes to the basic financial statements.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 - Reporting Entity

The Village of Arlington (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property.

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. PEP provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

State Highway The state highway fund accounts for and reports that portion, 7.5 percent, of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of state highways within the Village.

Fire Operating Fund The fire operating fund accounts for and reports proceeds from a 2.5 mill levy and fire service contracts to provide fire protection for the Village and surrounding Townships.

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

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

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

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

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

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

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$256,377	\$280,137	\$23,760
Special Revenue	305,148	272,088	(33,060)
Enterprise	457,850	474,450	16,600
Internal Service	9,000		(9,000)
Total	\$1,028,375	\$1,026,675	(\$1,700)

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$344,339	\$323,885	\$20,454
Special Revenue	395,698	311,651	84,047
Enterprise	544,514	477,515	66,999
Internal Service	10,000	10,000	10,000
Total	\$1,294,551	\$1,113,051	\$181,500

Note 4 – Deposits

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

	2015
Demand deposits	\$171,965
Certificates of deposit	580,000
Total deposits	751,965

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 6 – Transfers

During 2015 the Village transferred \$121,800 from the General Fund to the Street Fund (\$45,000), Swimming Pool Fund (\$49,800), and the Park Fund (\$27,000).

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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village’s share of these unpaid claims collectible in future years is approximately \$16,000.

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.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$24,137	\$24,957

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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 PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Social Security

Some Village officials and employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Sewer System Mortgage Bonds	\$51,000	5.00%
OPWC East Alley Waterline	29,651	0.00%
OWDA Water Plant Construction	682,061	2.00%
OPWC West Alley Waterline	41,979	0.00%
OWDA Main Cross / Sunset Waterline Replacement	213,965	2.59%
Fire Pickup Truck Loan	24,946	2.80%
Fire Truck Loan	11,605	2.85%
Total	\$1,055,207	

**VILLAGE OF ARLINGTON
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 taxes and revenues of the utility system have been pledged for the repayment of this debt.

The OPWC East Alley Waterline loan relates to a waterline replacement project. The Ohio Public Works Commission loaned the Village \$131,791 for this project. The loan will be repaid in semi-annual installments with no interest, over 20 years.

The OWDA Water Plant Construction loan relates to water plant construction. The Ohio Water Development Authority approved up to \$1,616,550 in loans to the Village for this project. The loans will be repaid in semi-annual installments, 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 OPWC West Alley Waterline loan relates to a waterline replacement project. The Ohio Public Works Commission loaned the Village \$88,378 for this project. The loan will be repaid in semi-annual installments with no interest over 20 years.

The OWDA Main Cross / Sunset Waterline loan related to a waterline replacement project. The loan will be repaid from the enterprise funds semi-annually to be paid over 20 years.

In 2014 the Village secured a commercial loan from Commercial Savings Bank in the amount of \$40,000 at an interest rate of 2.8% for 5 years for the purchase of a pickup truck for the fire department. The loan is repaid from semi-annual property tax receipts collected specifically for fire apparatus and operations.

In October 2007, the Village secured a commercial loan from Fifth Third Bank in the amount \$200,000 for financing a new fire truck. The loan is repaid from semi-annual property tax receipts collected specifically for fire apparatus and operations. In 2012, the loan balance was refinanced to a lower interest rate of 2.85% with Commercial Savings Bank.

Leases

In 2015 the Village entered into a capital lease for a mower. The lease is for 24 months at a cost of \$382 per month with final payment scheduled for October 2017.

Amortization

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

Year ending December 31:	Sewer System Mortgage Bonds	OPWC East Alley Waterline Loan	OWDA Water Plant Construction Loan	OPWC West Alley Waterline Loan	Fire Truck Loan	Fire Pickup Truck Loan	OWDA Main Cross /Sunset Waterline Loan
2016	\$27,550	\$6,589	\$79,190	\$4,419	\$11,699	\$8,591	\$14,045
2017	27,300	6,589	79,189	4,419		8,591	14,045
2018		6,589	79,190	4,419		8,591	14,045
2019		6,589	79,190	4,419		746	14,045
2020		3,295	79,189	4,419			14,046
2021-2025			356,354	19,884			70,226
2026-2030							70,226
2031-2035							63,204
Total	<u>\$54,850</u>	<u>\$29,651</u>	<u>\$752,302</u>	<u>\$41,979</u>	<u>\$11,699</u>	<u>\$26,519</u>	<u>\$273,882</u>

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Dave Yost • Auditor of State

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

Village of Arlington
Hancock County
P.O. Box 699
Arlington, Ohio 45814

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Arlington, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated January 24, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 24, 2018

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting for 2015 and 2014 permanent appropriations exceeding estimated receipts in the General Fund.	Fully corrected.	
2014-002	Finding was first issued in the 2013-2014 audit. Material Weakness for material posting errors resulting in reclassifications posted to the financial statements.	Fully corrected.	

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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
FEBRUARY 13, 2018