



**Auditor of State
Betty Montgomery**

VILLAGE OF ARLINGTON
HANCOCK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Arlington
Hancock County
204 N. Main Street, P.O. Box 699
Arlington, Ohio 45814-0699

To the Village Council:

We have audited the accompanying financial statements of the Village of Arlington, Hancock County, (the Village) as of and for the year ended December 31, 2003. 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2005, 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.

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

Betty Montgomery
Auditor of State

April 18, 2005

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 57,425			\$ 14,108	\$ 71,533
Municipal Income Taxes	123,482				123,482
Special Assessments		\$ 51,232			51,232
Intergovernmental Receipts	52,258	42,579		949	95,786
Charges for Services		21,346			21,346
Fines, Licenses, and Permits	3,209				3,209
Earnings on Investments	22,095	3,250			25,345
Miscellaneous		4,208			4,208
	<u>258,469</u>	<u>122,615</u>	<u></u>	<u>15,057</u>	<u>396,141</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	21,779	81,658			103,437
Public Health Services	7,082				7,082
Transportation	2,897	59,059			61,956
General Government	98,344	65		257	98,666
Debt Service:					
Principal Payments			\$ 35,000	14,482	49,482
Interest Payments			24,468	1,107	25,575
Capital Outlay	16,575	33,655			50,230
	<u>146,677</u>	<u>174,437</u>	<u>59,468</u>	<u>15,846</u>	<u>396,428</u>
Total Receipts Over/(Under) Disbursements	<u>111,792</u>	<u>(51,822)</u>	<u>(59,468)</u>	<u>(789)</u>	<u>(287)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		30,000	63,000		93,000
Transfers-Out	(141,000)				(141,000)
Other Financing Sources	972				972
Other Financing Uses	(1,837)				(1,837)
	<u>(141,865)</u>	<u>30,000</u>	<u>63,000</u>	<u></u>	<u>(48,865)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,073)	(21,822)	3,532	(789)	(49,152)
Fund Cash Balances, January 1	161,398	135,405	5,319	12,338	314,460
Fund Cash Balances, December 31	<u>\$ 131,325</u>	<u>\$ 113,583</u>	<u>\$ 8,851</u>	<u>\$ 11,549</u>	<u>\$ 265,308</u>
Reserves for Encumbrances, December 31	<u>\$ 11,888</u>	<u>\$ 3,505</u>	<u></u>	<u></u>	<u>\$ 15,393</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 367,300
Operating Cash Disbursements:	
Personal Services	64,707
Fringe Benefits	7,752
Contractual Services	51,196
Supplies and Materials	85,160
Capital Outlay	8,497
Total Operating Cash Disbursements	217,312
Operating Income	149,988
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	3,871
Non-Operating Cash Disbursements:	
Debt Service	130,281
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	23,578
Transfers-In	48,000
Net Receipts Over Disbursements	71,578
Fund Cash Balances, January 1	447,286
Fund Cash Balances, December 31	\$ 518,864
Reserve for Encumbrances, December 31	\$ 72,050

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Arlington, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and security of persons and property. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

Street Repair Assessment Fund - This fund receives special assessments for repairing Village streets.

Fire Fund -This fund receives revenues from various subdivisions to provide fire protection.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Town Hall/Swimming Pool Bond Retirement Fund -This fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal interest, and related costs associated with the debt for construction of the Village's administration building and swimming pool.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Fire Equipment Fund - This fund receives property taxes. The taxes are being used to purchase fire equipment and retire debt issued for the purchase of a fire truck.

5. 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 - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

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

1. Appropriations

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

VILLAGE OF ARLINGTON
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH

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

	<u>2003</u>
Demand deposits	\$ 49,114
Money Market Savings	155,058
Certificates of deposit	<u>580,000</u>
Total deposits	<u><u>\$ 784,172</u></u>

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

3. BUDGETARY ACTIVITY

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 290,459	\$ 259,441	\$ (31,018)
Special Revenue	159,200	152,615	(6,585)
Debt Service	63,000	63,000	-
Capital Projects	35,857	15,057	(20,800)
Enterprise	411,500	419,171	7,671
Total	<u>\$ 960,016</u>	<u>\$ 909,284</u>	<u>\$ (50,732)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 451,857	\$ 301,402	\$ 150,455
Special Revenue	294,605	177,942	116,663
Debt Service	68,319	59,468	8,851
Capital Projects	48,195	15,846	32,349
Enterprise	858,786	419,643	439,143
Total	<u>\$ 1,721,762</u>	<u>\$ 974,301</u>	<u>\$ 747,461</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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
DECEMBER 31, 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Bonds	\$ 266,000	5.00%
Ohio Public Works Commission South Main Street Waterline Loan	30,822	0.00%
Ohio Water Development Authority Waterline Loan	72,786	6.56%
Town Hall/Swimming Pool General Obligation Bonds	405,000	5.63%
Ohio Public Works Commission East Alley Waterline Loan	105,432	0.00%
Ohio Water Development Authority Water Plant Construction Loan	1,378,299	2.00%
Fire Truck Promissory Note	7,564	5.88%
Total	<u>\$ 2,265,903</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.

The Ohio Water Development Authority (OWDA) loan relates to the Waterline Project. The loan is being repaid in semiannual installments, including interest, over 15 years. The loan is being paid back with the regular monthly water charges which are received from residents of the Village.

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 semiannually.

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 semiannual installments of \$3,294.78, with no interest, over 20 years.

The Ohio Water Development Authority (OWDA) loan relates to water plant construction. The OWDA has approved up to \$1,616,550 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$25,123.41, 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 Fire Truck Promissory Note was issued to purchase a new fire truck. The loan is for \$42,250 and will be paid off in 2004.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

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	OWDA Waterline Loan	Town Hall/ Swimming Pool General Obligation Bonds	OPWC East Alley Waterline Loan	OWDA Water Plant Construction Loan	Fire Truck Promissory Note
2004	\$ 27,300	\$ 3,425	\$ 14,127	\$ 57,499	\$ 6,590	\$ 79,190	\$ 7,789
2005	26,600	3,425	14,126	60,530	6,590	79,190	
2006	26,900	3,425	14,127	58,280	6,590	79,190	
2007	27,150	3,425	14,126	61,030	6,590	79,190	
2008	26,350	3,425	14,127	58,623	6,590	79,190	
2009-2013	133,750	13,697	21,190	229,129	32,950	395,949	
2014-2018	108,350				32,950	395,949	
2019-2023					6,582	395,949	
2025						118,785	
Total	<u>\$ 376,400</u>	<u>\$ 30,822</u>	<u>\$ 91,823</u>	<u>\$ 525,091</u>	<u>\$ 105,432</u>	<u>\$ 1,702,582</u>	<u>\$ 7,789</u>

7. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Property and general liability;
- Vehicles,
- Inland marine,
- Crime,
- Law enforcement liability,
- Errors and omissions and employment practices liability.



**Auditor of State
Betty Montgomery**

**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 N. Main Street, P.O. Box 699
Arlington, Ohio 45814-0699

To the Village Council:

We have audited the financial statements of the Village of Arlington (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 18, 2005. The Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion(s) on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated April 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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

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

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

Betty Montgomery
Auditor of State

April 18, 2005

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC § 57045.41(D) failure to certify expenditures.	Yes	
2002-002	ORC § 135.13 certificate of deposit maturing not more than one year.	Yes	



**Auditor of State
Betty Montgomery**

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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
MAY 31, 2005**