

**VILLAGE OF ARLINGTON
HANCOCK COUNTY, OHIO**

AUDIT REPORT

For the Year Ended December 31, 2011



Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011, 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 2011 are as follows:

The total net position of the Village increased by \$3,112 which indicates there was a steady level of receipts and expenditures in comparison with the previous year.

The Village's general receipts are primarily property and income taxes and unrestricted grants. General receipts represent 80 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 90 percent of all business-type activity revenues and 91 percent of expenditures.

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 position 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.

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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 position and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net position 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 position 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 activities. 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.

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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 Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

In 2009, the voters approved the renewal of a fire tax levy that generates approximately \$48,000 per year. The levy renewal took effect with the 2010 property tax collections with receipts occurring in 2011. In previous years, the tax was used specifically for fire apparatus replacement and maintenance and was reported in a separate fund (Fire Equipment Fund). The levy language now permits expenditures relating to the fire operations, and all fire activities are reported in the Fire Fund.

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 four major enterprise funds, the Water Operating Fund, Sewer Operating Fund, Swimming Pool Fund, and Park Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2011 compared to 2010 on cash basis:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Equity in Pooled Cash and Investments	\$ 472,543	\$ 431,613	\$ 459,793	\$ 497,387	\$ 932,336	\$ 929,000
Total Assets	472,543	431,613	459,793	497,387	932,336	929,000
Net Position						
Restricted for:						
Capital Projects	40,000	24,208	-	-	40,000	24,208
Debt Service	-	7,111	-	-	-	7,111
Other Purposes	154,045	115,577	-	-	154,045	115,577
Unrestricted	278,498	284,717	459,793	497,387	738,291	782,104
Total Net Position	\$ 472,543	\$ 431,613	\$ 459,793	\$ 497,387	\$ 932,336	\$ 929,000

Business-Type Activities

The business-type activities are mostly 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 \$722,147 and disbursements and other financing uses of \$681,388. Business-type activities funds had receipts and other financing sources of \$491,654 and disbursements and other financing uses of \$529,301.

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 \$393,932 while actual disbursements and other financing uses were \$377,615. Beginning in 2008, the Village changed the budgeting procedure. Rather than appropriating all available resources, the appropriation budget is based on the Original Certificate of Estimated Resources submitted to and approved by the Hancock County Auditor. Funds are appropriated from carry-over balances as needed.

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, 2011, the Village's outstanding debt included \$55,000 in general obligation bonds issued for swimming pool improvements and construction of the Village hall, and \$1,287,115 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. 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, 2011
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 Position - Cash Basis
 December 31, 2011

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 472,543	\$ 459,793	\$ 932,336
<i>Total Assets</i>	<u>\$ 472,543</u>	<u>\$ 459,793</u>	<u>\$ 932,336</u>
Net Position			
Restricted for:			
Capital Projects	\$ 40,000	-	\$ 40,000
Other Purposes	154,045	-	154,045
Unrestricted	<u>278,498</u>	<u>\$ 459,793</u>	<u>738,291</u>
<i>Total Net Position</i>	<u>\$ 472,543</u>	<u>\$ 459,793</u>	<u>\$ 932,336</u>

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, 2011

	General	Street Construction Maintenance and Repair	State Highway	General Obligation Bond Retirement	Fire	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Investments	\$ 267,373	\$ 8,493	\$ 62,167	\$ 11,125	\$ 51,214	\$ 72,171	\$ 472,543
<i>Total Assets</i>	<u>\$ 267,373</u>	<u>\$ 8,493</u>	<u>\$ 62,167</u>	<u>\$ 11,125</u>	<u>\$ 51,214</u>	<u>\$ 72,171</u>	<u>\$ 472,543</u>
Fund Cash Balance							
Restricted	\$ -	\$ 8,493	\$ 62,167	\$ -	\$ 51,214	\$ 72,171	\$ 194,045
Committed	1,575			11,125		-	12,700
Assigned	1,010	-	-	-	-	-	1,010
Unassigned (Deficit)	264,788	-	-	-	-	-	264,788
<i>Total Fund Balances</i>	<u>\$ 267,373</u>	<u>\$ 8,493</u>	<u>\$ 62,167</u>	<u>\$ 11,125</u>	<u>\$ 51,214</u>	<u>\$ 72,171</u>	<u>\$ 472,543</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Receipts, Disbursements and Changes in Cash Basis Net Position
Governmental Funds
For the Year Ended December 31, 2011

	General	Street Construction Maintenance and Repair	State Highway	General Obligation Bond Retirement	Fire	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 52,596	-	-	-	\$ 47,301	-	\$ 99,897
Municipal Income Taxes	192,510	-	-	-	-	-	192,510
Intergovernmental	69,331	\$ 59,621	\$ 4,834	-	7,442	\$ 20,000	161,228
Special Assessments	-	-	-	-	-	64,990	64,990
Charges for Services	-	-	-	-	35,994	-	35,994
Fines, Licenses and Permits	675	-	-	-	-	-	675
Earnings on Investments	18,659	90	1,030	-	-	-	19,779
Miscellaneous	-	11,469	-	-	-	-	11,469
<i>Total Receipts</i>	<u>333,771</u>	<u>71,180</u>	<u>5,864</u>	<u>-</u>	<u>90,737</u>	<u>84,990</u>	<u>586,542</u>
Disbursements							
Current:							
Security of Persons and Property	31,139	-	-	-	58,330	39,555	129,024
Public Health Services	8,519	-	-	-	-	-	8,519
Leisure Time Activities	298	-	-	-	-	-	298
Transportation	5,779	83,210	2,449	-	-	-	91,438
General Government	111,663	-	-	-	-	20	111,683
Capital Outlay	125	-	-	-	-	18,621	18,746
Debt Service:							
Principal Retirement	-	-	-	\$ 50,000	1,587	19,066	70,653
Interest and Fiscal Charges	-	-	-	5,986	519	5,142	11,647
<i>Total Disbursements</i>	<u>157,523</u>	<u>83,210</u>	<u>2,449</u>	<u>55,986</u>	<u>60,436</u>	<u>82,404</u>	<u>442,008</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	176,248	(12,030)	3,415	(55,986)	30,301	2,586	144,534
Other Financing Sources (Uses)							
Transfers In	-	10,000	-	60,000	-	20,000	90,000
Transfers Out	(188,000)	-	-	-	-	-	(188,000)
Advances In	23,000	-	-	-	-	20,000	43,000
Advances Out	(23,000)	-	-	-	-	(20,000)	(43,000)
Other Financing Sources	875	-	1,730	-	-	-	2,605
Other Financing Uses	(8,380)	-	-	-	-	-	(8,380)
<i>Total Other Financing Sources (Uses)</i>	<u>(195,505)</u>	<u>10,000</u>	<u>1,730</u>	<u>60,000</u>	<u>-</u>	<u>20,000</u>	<u>(103,775)</u>
<i>Net Change in Net Position</i>	(19,257)	(2,030)	5,145	4,014	30,301	22,586	40,759
<i>Net Position Beginning of Year (restated)</i>	<u>286,630</u>	<u>10,523</u>	<u>57,022</u>	<u>7,111</u>	<u>20,913</u>	<u>49,585</u>	<u>431,784</u>
<i>Net Position End of Year</i>	<u>\$ 267,373</u>	<u>\$ 8,493</u>	<u>\$ 62,167</u>	<u>\$ 11,125</u>	<u>\$ 51,214</u>	<u>\$ 72,171</u>	<u>\$ 472,543</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, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 62,800	\$ 62,800	\$ 59,621	\$ (3,179)
Earnings on Investments	1,500	1,500	90	(1,410)
Miscellaneous	7,700	7,700	11,469	3,769
<i>Total receipts</i>	<u>72,000</u>	<u>72,000</u>	<u>71,180</u>	<u>(820)</u>
Disbursements				
Current:				
Transportation	73,065	82,465	83,210	(745)
<i>Total Disbursements</i>	<u>73,065</u>	<u>82,465</u>	<u>83,210</u>	<u>(745)</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	(1,065)	(10,465)	(12,030)	(1,565)
Other Financing Sources (Uses)				
Transfers In	-	10,000	10,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(1,065)	(465)	(2,030)	(1,565)
<i>Fund Balance Beginning of Year</i>	9,458	9,458	9,458	-
Prior Year Encumbrances Appropriated	1,065	1,065	1,065	-
<i>Fund Balance End of Year</i>	<u>\$ 9,458</u>	<u>\$ 10,058</u>	<u>\$ 8,493</u>	<u>\$ (1,565)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 5,800	\$ 5,800	\$ 4,834	\$ (966)
Earnings on Investments	200	200	1,030	830
<i>Total receipts</i>	<u>6,000</u>	<u>6,000</u>	<u>5,864</u>	<u>(136)</u>
Disbursements				
Current:				
Transportation	6,000	6,000	2,449	3,551
<i>Total Disbursements</i>	<u>6,000</u>	<u>6,000</u>	<u>2,449</u>	<u>3,551</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	-	-	3,415	3,415
Other Financing Sources (Uses)				
Other Financing Sources	-	-	1,730	1,730
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>1,730</u>	<u>1,730</u>
<i>Net Change in Fund Balance</i>	-	-	5,145	5,145
<i>Fund Balance Beginning of Year</i>	<u>57,022</u>	<u>57,022</u>	<u>57,022</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 57,022</u></u>	<u><u>\$ 57,022</u></u>	<u><u>\$ 62,167</u></u>	<u><u>\$ 5,145</u></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
Fire Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 53,000	\$ 54,541	\$ 47,301	\$ (7,240)
Intergovernmental	-	-	7,442	7,442
Charges for Services	29,000	29,000	35,994	6,994
<i>Total receipts</i>	<u>82,000</u>	<u>83,541</u>	<u>90,737</u>	<u>7,196</u>
Disbursements				
Current:				
Security of Persons and Property	58,460	79,860	69,220	10,640
Debt Service:				
Principal Retirement	20,000	1,600	1,587	13
Interest and Fiscal Charges	6,000	2,000	519	1,481
<i>Total Disbursements</i>	<u>84,460</u>	<u>83,460</u>	<u>71,326</u>	<u>12,134</u>
<i>Net Change in Fund Balance</i>	(2,460)	81	19,411	19,330
<i>Fund Balance Beginning of Year</i>	18,413	18,413	18,413	-
Prior Year Encumbrances Appropriated	2,500	2,500	2,500	-
<i>Fund Balance End of Year</i>	<u>\$ 18,453</u>	<u>\$ 20,994</u>	<u>\$ 40,324</u>	<u>\$ 19,330</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Net Position - Cash Basis
Proprietary Funds
December 31, 2011

	Business-Type Activities					Total Enterprise Funds
	Water Operating	Sewer Operating	Swimming Pool	Park Operating	Other Enterprise	
Assets						
Equity in Pooled Cash and Investments	\$ 157,453	\$ 240,421	\$ 3,835	\$ 6,507	\$ 51,577	\$ 459,793
Total Assets	<u>\$ 157,453</u>	<u>\$ 240,421</u>	<u>\$ 3,835</u>	<u>\$ 6,507</u>	<u>\$ 51,577</u>	<u>\$ 459,793</u>
Net Position						
Unrestricted	<u>\$ 157,453</u>	<u>\$ 240,421</u>	<u>\$ 3,835</u>	<u>\$ 6,507</u>	<u>\$ 51,577</u>	<u>\$ 459,793</u>

See accompanying notes to the basic financial statements

**VILLAGE OF ARLINGTON
HANCOCK COUNTY, OHIO
For the Year Ended December 31, 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2010, reported no material citations or recommendations.