

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2011**







# Dave Yost • Auditor of State

Village Council  
Village of Arlington  
204 North Main Street  
Arlington, Ohio 45814

We have reviewed the *Independent Auditors' Report* of the Village of Arlington, Hancock County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Arlington is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

August 16, 2013

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**VILLAGE OF ARLINGTON  
HANCOCK COUNTY  
For the Year ended December 31, 2011  
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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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## **INDEPENDENT AUDITORS' REPORT**

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Arlington, Hancock County, Ohio (the Village), as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Arlington, Hancock County, Ohio, as of December 31, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund and Fire Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

### ***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

### ***Emphasis of Matter***

As discussed in Note 12 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Village restated its 2010 fund balances of the Governmental Funds due to a change in fund structure. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### ***Supplemental and Other Information***

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. Management's Discussion & Analysis includes tables of net position and changes in net position. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013 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.

*Charles E. Harris Associates*

*Charles E. Harris & Associates, Inc.*  
June 14, 2013

Village of Arlington, Hancock County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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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.

Village of Arlington, Hancock County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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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.

Village of Arlington, Hancock County  
Management's Discussion and Analysis  
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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
<b>Assets</b>						
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
<b>Net Position</b>						
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

Village of Arlington, Hancock County  
Management's Discussion and Analysis  
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Table 2 reflects the changes in net position in 2011 compared to 2010.

Table 2  
**Changes in Net Position**

	Governmental Activities 2011	Governmental Activities 2010	Business Type Activities 2011	Business Type Activities 2010
<b>Receipts:</b>				
<b>Program Receipts:</b>				
Charges for Services and Sales	\$ 35,994	\$ 35,166	\$ 390,108	\$ 380,810
Operating Grants and Contributions	64,454	65,495	446	9,000
Capital Grants and Contributions	20,000	38,770	-	-
<b>Total Program Receipts</b>	<b>120,448</b>	<b>139,431</b>	<b>390,554</b>	<b>389,810</b>
<b>General Receipts:</b>				
Property and Other Local Taxes	99,898	97,162	-	-
Special Assessments	64,990	61,565	-	-
Income Taxes	192,510	151,511	-	-
Grants and Entitlements Not Restricted to Specific Programs	76,773	92,682	-	-
Interest	19,779	24,569	-	-
Miscellaneous	14,749	8,271	100	1,330
<b>Total General Receipts</b>	<b>468,699</b>	<b>435,760</b>	<b>100</b>	<b>1,330</b>
<b>Total Receipts</b>	<b>589,147</b>	<b>575,191</b>	<b>390,654</b>	<b>391,140</b>
<b>Disbursements:</b>				
Security of Persons and Property	129,024	143,021	-	-
Public Health Services	8,519	8,571	-	-
Leisure Time Activities	298	-	-	-
Transportation	91,438	79,907	-	-
General Government	111,683	104,419	-	-
Capital Outlay	18,746	73,837	-	-
Principal Retirement	70,653	68,669	-	-
Interest and Fiscal Charges	11,647	15,366	-	-
Other Governmental	8,380	9,521	-	-
Water Operations	-	-	247,110	200,176
Sewer Operations	-	-	128,504	98,413
Swimming Pool	-	-	67,632	52,039
Sewage Bond Retirement	-	-	26,900	26,750
Park Operations	-	-	56,067	22,626
Apple Grove Maintenance	-	-	88	170
<b>Total Disbursements</b>	<b>450,388</b>	<b>503,311</b>	<b>526,301</b>	<b>400,174</b>
Excess (Deficiency) Before Transfers and Advances	138,759	71,880	(135,647)	(9,034)
Transfers	(98,000)	(38,500)	98,000	38,500
<b>Change in Net Position</b>	<b>40,759</b>	<b>33,380</b>	<b>(37,647)</b>	<b>29,466</b>
Net Position, January 1	431,613	398,233	497,387	467,921
Prior Period Adjustment (voided checks)	171	-	53	-
Restated Net Position, January 1	431,784	-	497,440	-
<b>Net Position, December 31</b>	<b>\$ 472,543</b>	<b>\$ 431,613</b>	<b>\$ 459,793</b>	<b>\$ 497,387</b>

Village of Arlington, Hancock County  
Management's Discussion and Analysis  
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Excluding transfers, governmental program receipts represent 20 percent of total governmental receipts and are primarily comprised of charges to surrounding townships for fire services provided under contract.

Excluding transfers, general governmental receipts represent 80 percent of the Village's total governmental receipts, and of this amount, approximately 76 percent are local taxes and special assessments for street repair and street lighting. State and federal grants and entitlements make up 16 percent of the Village's general receipts. Interest and other receipts make up the remaining 8 percent.

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

**Governmental Activities**

The Statement of Activities shows the major services provided by the Village in the first column. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between 2011 and 2010 total cost of services and the net cost is presented in Table 3.

Table 3  
**Governmental Activities**

	Total Cost Of Services 2011	Net Cost of Services 2011	Total Cost Of Services 2010	Net Cost of Services 2010
Security of Persons and Property	\$ 129,024	\$ 93,030	\$ 143,021	\$ 69,971
Public Health Services	8,519	8,519	8,571	8,571
Leisure Time Activities	298	(19,702)	-	-
Transportation	91,438	26,984	79,907	14,412
General Government	111,683	111,683	104,419	103,533
Capital Outlay	18,746	18,746	73,837	73,837
Principal Retirement	70,653	70,653	68,669	68,669
Interest and Fiscal Charges	11,647	11,647	15,366	15,366
Other	8,380	8,380	9,521	9,521
<b>Total Expenses</b>	<b>\$ 450,388</b>	<b>\$ 329,940</b>	<b>\$ 503,311</b>	<b>\$ 363,880</b>

### **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

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**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
<b>Assets</b>			
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>
<b>Net Position</b>			
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 Activities -Cash Basis*  
For the Year Ended December 31, 2011

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 129,024	\$ 35,994	\$ -	\$ -	\$ (93,030)	\$ -	\$ (93,030)
Public Health Services	8,519	-	-	-	(8,519)	-	(8,519)
Leisure Time Activities	298	-	-	20,000	19,702	-	19,702
Transportation	91,438	-	64,454	-	(26,984)	-	(26,984)
General Government	111,683	-	-	-	(111,683)	-	(111,683)
Capital Outlay	18,746	-	-	-	(18,746)	-	(18,746)
Other	8,380	-	-	-	(8,380)	-	(8,380)
Debt Service:							
Principal	70,653	-	-	-	(70,653)	-	(70,653)
Interest and Fiscal Charges	11,647	-	-	-	(11,647)	-	(11,647)
<b>Total Governmental Activities</b>	<b>450,388</b>	<b>35,994</b>	<b>64,454</b>	<b>20,000</b>	<b>(329,940)</b>	<b>-</b>	<b>(329,940)</b>
<b>Business Type Activities</b>							
Water Operations	247,110	226,820	-	-	-	(20,290)	(20,290)
Sewer Operations	128,504	101,109	-	-	-	(27,395)	(27,395)
Swimming Pool	67,632	20,919	-	-	-	(46,713)	(46,713)
Sewage Bond Retirement	26,900	26,500	-	-	-	(400)	(400)
Park Operations	56,067	13,570	446	-	-	(42,051)	(42,051)
Apple Grove Maintenance	88	1,190	-	-	-	1,102	1,102
<b>Total Business Type Activities</b>	<b>526,301</b>	<b>390,108</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>(135,747)</b>	<b>(135,747)</b>
<b>Total</b>	<b>\$ 976,689</b>	<b>\$ 426,102</b>	<b>\$ 64,900</b>	<b>\$ 20,000</b>	<b>(329,940)</b>	<b>(135,747)</b>	<b>(465,687)</b>
<b>General Receipts</b>							
					99,898	-	99,898
Property and Other Local Taxes					64,990	-	64,990
Special Assessments					192,510	-	192,510
Municipal Income Taxes					76,773	-	76,773
Grants and Entitlements not Restricted to Specific Programs					19,779	-	19,779
Interest					14,749	100	14,849
Miscellaneous					(98,000)	98,000	-
Transfers							
<b>Total General Receipts and Transfers</b>					<b>370,699</b>	<b>98,100</b>	<b>468,799</b>
Change in Net Position					40,759	(37,647)	3,112
<i>Net Position Beginning of Year (restated)</i>					431,784	497,440	929,224
<b>Net Position End of Year</b>					<b>\$ 472,543</b>	<b>\$ 459,793</b>	<b>\$ 932,336</b>

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
<b>Assets</b>							
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>
<b>Fund Cash Balance</b>							
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
<b>Receipts</b>							
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>
<b>Disbursements</b>							
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
<b>Other Financing Sources (Uses)</b>							
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**  
**General Fund**  
**For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 59,500	\$ 61,108	\$ 52,596	\$ (8,512)
Municipal Income Taxes	160,500	160,500	192,510	32,010
Intergovernmental	38,760	40,798	69,331	28,533
Fines, Licenses and Permits	2,500	2,500	675	(1,825)
Earnings on Investments	28,000	28,000	18,699	(9,301)
<i>Total receipts</i>	<u>289,260</u>	<u>292,906</u>	<u>333,811</u>	<u>40,905</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	31,101	31,301	31,139	162
Public Health Services	8,000	8,520	8,519	1
Transportation	7,800	7,543	5,779	1,764
General Government	120,406	121,443	112,673	8,770
Capital Outlay	5,625	4,125	125	4,000
<i>Total Disbursements</i>	<u>172,932</u>	<u>172,932</u>	<u>158,235</u>	<u>14,697</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	116,328	119,974	175,576	55,602
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(113,000)	(188,000)	(188,000)	-
Advances In	-	23,000	23,000	-
Advances Out	-	(23,000)	(23,000)	-
Other Financing Sources	5,000	5,000	875	(4,125)
Other Financing Uses	(10,000)	(10,000)	(8,380)	1,620
<i>Total Other Financing Sources (Uses)</i>	<u>(118,000)</u>	<u>(193,000)</u>	<u>(195,505)</u>	<u>(2,505)</u>
<i>Net Change in Fund Balance</i>	(1,672)	(73,026)	(19,929)	53,097
<i>Fund Balance Beginning of Year</i>	283,046	283,046	283,046	-
Prior Year Encumbrances Appropriated	1,671	1,671	1,671	-
<i>Fund Balance End of Year</i>	<u>\$ 283,045</u>	<u>\$ 211,691</u>	<u>\$ 264,788</u>	<u>\$ 53,097</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*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
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>
<b>Disbursements</b>				
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)
<b>Other Financing Sources (Uses)</b>				
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*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
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>
<b>Disbursements</b>				
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
<b>Other Financing Sources (Uses)</b>				
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>\$ 57,022</u>	<u>\$ 57,022</u>	<u>\$ 62,167</u>	<u>\$ 5,145</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>		
<b>Receipts</b>				
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>
<b>Disbursements</b>				
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	
<b>Assets</b>						
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>
<b>Net Position</b>						
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**  
*Statement of Cash Receipts,  
Disbursements and Changes in Net Position - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2011*

	Business-Type Activities					Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Swimming Pool Fund	Park Operating	Other Enterprise Funds	
<b>Operating Receipts</b>						
Charges for Services	\$ 226,820	\$ 101,109	\$ 20,919	\$ 9,621	\$ 27,689	\$ 386,158
<i>Total Operating Receipts</i>	<u>226,820</u>	<u>101,109</u>	<u>20,919</u>	<u>9,621</u>	<u>27,689</u>	<u>386,158</u>
<b>Operating Disbursements</b>						
Personal Services	26,761	24,701	28,464	10,106	-	90,032
Employee Fringe Benefits	5,521	5,161	4,398	1,594	-	16,674
Contractual Services	34,289	29,035	10,824	5,633	88	79,869
Supplies and Materials	86,916	38,254	23,946	13,794	-	162,910
<i>Total Operating Disbursements</i>	<u>153,487</u>	<u>97,151</u>	<u>67,632</u>	<u>31,127</u>	<u>88</u>	<u>349,485</u>
<i>Operating Income (Loss)</i>	73,333	3,958	(46,713)	(21,506)	27,601	36,673
<b>Non-Operating Receipts (Disbursements)</b>						
Other Non-Operating Receipts	-	-	100	446	-	546
Capital Outlay	-	(31,353)	-	(24,940)	-	(56,293)
Principal Payments	(74,071)	-	-	-	(19,100)	(93,171)
Other Financing Uses	-	-	-	3,950	-	3,950
Interest and Fiscal Charges	(19,552)	-	-	-	(7,800)	(27,352)
<i>Total Non-Operating Receipts(Disbursements)</i>	<u>(93,623)</u>	<u>(31,353)</u>	<u>100</u>	<u>(20,544)</u>	<u>(26,900)</u>	<u>(172,320)</u>
<i>Income/(Loss) before Transfers and Advances</i>	(20,290)	(27,395)	(46,613)	(42,050)	701	(135,647)
Transfers In	-	-	50,000	48,000	-	98,000
Advances In	-	-	-	-	3,000	3,000
Advances Out	-	-	-	-	(3,000)	(3,000)
<i>Change in Net Position</i>	(20,290)	(27,395)	3,387	5,950	701	(37,647)
<i>Net Position Beginning of Year (restated)</i>	<u>177,743</u>	<u>267,816</u>	<u>448</u>	<u>557</u>	<u>50,876</u>	<u>497,440</u>
<i>Net Position End of Year</i>	<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  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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**Note 1 – Reporting Entity**

The Village of Arlington, Hancock County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four-year terms. One Council member serves as Council President based on a majority vote of Council. The Mayor is elected to a four-year term.

The reporting entity is comprised of the primary government, component units, and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets, and park operations. The Hancock County Sheriff is contracted for police services. The Village residents approved a tax levy, which along with charges for services to the various surrounding townships and transfers from the General Fund, support a volunteer Fire Department.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent of the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village, and are significant in amount to the Village.

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

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

Arlington Local School District  
Appleseed Joint Ambulance District

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

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Village follows GASB guidance as applicable to its government-wide statements. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund, General Obligation Bond Retirement Fund and Fire Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction Maintenance and Repair Fund and the State Highway Fund receive motor vehicle and gasoline license taxes for the upkeep and maintenance of Village streets and alleys. The General Obligation Bond Retirement Fund receives transfers from the General Fund to pay principal and interest payments on bonds issued for the construction of the Village Townhall and replacement of the Village swimming pool. The Fire Fund receives property taxes, charges for services, and State grants for fire operations. The other governmental funds of the Village account for grants and other resources and the use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water, Sewer, Swimming Pool, and Park Funds.

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

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

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

Park Fund - The Park Fund accounts for the operations and maintenance of the Village park.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level for all funds.

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

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

E. Cash and Investments

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

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

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

During 2011, the Village invested in negotiable and non-negotiable certificates of deposit.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. In 2011, interest receipts totaling \$19,779 were credited to the General Fund, Street Construction Repair and Maintenance Fund, and the State Highway Fund.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets at December 31, 2011.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for inter-fund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Village had no outstanding advances at December 31, 2011.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Total net position was \$472,543 in the governmental activities and \$459,793 in business activities. Of the governmental activities, \$40,000 is restricted to capital projects and \$154,045 for other purposes, including public safety and road projects. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net positions are available.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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 The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by 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 contained 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.

O. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Village had no extraordinary or special items to report in 2011.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, the Street Construction Maintenance and Repair Fund, the State Highway Fund, and the Fire Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,010 for the General Fund and \$10,890 for the Fire Fund.

The balance of the Festival Fund that is excluded from the General Fund budgetary activity is \$1,575.

**Note 4 – Deposits and Investments**

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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**Note 4 – Deposits and Investments – (continued)**

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2011, the Village had a total carrying bank balance of \$394,336 and \$315,453 was FDIC insured, while \$78,883 was exposed to custodial credit risk because those deposits are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Investments

As of December 31, 2011, the Village had the following investments and maturities:

Investment Type	Cost	Maturity
Negotiable CD's	\$538,000	1 – 3 years

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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**Note 4 – Deposits and Investments – (continued)**

**Interest Rate Risk** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village has no investment policy that addresses interest rate risk.

**Credit Risk** Credit risk is the possibility that an insurer or other counterparty to an investment will not fulfill its obligation. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

In 2011, none of the Village's investments were subject to custodial credit risk.

**Note 5 – Income Taxes**

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

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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**Note 6 – Property Taxes – (continued)**

The 2011 property tax receipts were based upon the assessed value of \$26,009,220. The tax rate applicable to the 2011 receipts was 5.2 mills.

The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property		
Residential and Agricultural	\$	19,864,740
Other		5,596,930
Public Utility		547,550
Total Assessed Value	<u>\$</u>	<u>26,009,220</u>

The Hancock County Auditor collects property taxes on behalf of the Village and remits the collected taxes to the Village. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

**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. American Risk Pooling Consultants, Inc. 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 ARPCO. 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, 2011, PEP retained \$350,000 for casualty claims and \$150,000 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

**Note 7 – Risk Management – (continued)**

	<b><u>2011</u></b>	<b><u>2010</u></b>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$16,328.

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.

<b><u>Contributions to PEP</u></b>	
<b><u>2011</u></b>	<b><u>2010</u></b>
\$17,748	\$15,605

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.

In 2011, the Village received a loyalty credit from PEP in the amount of \$2,667.

**Note 8 – Defined Benefit Pension Plans**

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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**Note 8 – Defined Benefit Pension Plans – (continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in the state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.0 percent and 12.6 percent.

The Village 2011 employee contribution rate was 10% of covered payroll for employees. The Village 2011 employer contribution rate was 14% of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4% percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2011, 2010 and 2009 were \$24,222, \$21,403 and \$19,002, respectively. The full amount has been contributed for 2011, 2010 and 2009.

**Note 9 – Post-Employment Benefits**

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, aged and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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**Note 9 – Post-Employment Benefits – (continued)**

Disclosures for the health care plan are presently separately in the OPERS financial report which may be obtained by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and their coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$1,465, \$1,295, and \$1,150, respectively, which were equal to the required contributions for each year.

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

**Note 10 – Debt**

Debt outstanding at December 31, 2011, was as follows:

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

**Note 10 – Debt – (continued)**

	Interest Rate	Principal Outstanding at 12/31/10	Principal Issued	Principal Retired	Principal Outstanding at 12/31/11	Amount Due in One Year
Sewer System Mortgage Bonds	5.00%	\$ 156,100	\$ -	\$ 19,100	\$ 137,000	\$ 20,000
OPWC South Main Street Waterline	0.00%	6,849	-	3,425	3,424	3,424
Town Hall/Swimming Pool GO Bonds	5.63%	105,000	-	50,000	55,000	55,000
OPWC East Alley Waterline	0.00%	59,304	-	6,590	52,714	6,590
OWDA Water Plant Construction	2.00%	992,476	-	59,637	932,839	60,836
OPWC West Alley Waterline	0.00%	61,864	-	4,419	57,445	4,419
Fire Truck Loan	4.84%	124,346	-	20,653	103,693	15,373
		<u>\$ 1,505,939</u>	<u>\$ -</u>	<u>\$ 163,824</u>	<u>\$ 1,342,115</u>	<u>165,642</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 Town Hall/Swimming Pool General Obligation Bonds were issued for the purpose of constructing a new municipal complex and a new swimming pool within the Village. The bonds were issued in 1997 in the amount of \$600,000 to be repaid over 15 years with interest paid semi-annually.

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

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

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

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

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

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

**Note 10 – Debt – (continued)**

Year ending December 31:	Sewer System Mortgage Bonds	OPWC South Main Street Waterline Loan	Town Hall/ Swimming Pool General Obligation Bonds	OPWC East Alley Waterline Loan	OWDA Water Plant Construction Loan	OPWC West Alley Waterline Loan	Fire Truck Loan
2012	\$ 26,850	\$ 3,425	\$ 58,163	\$ 6,590	\$ 79,190	\$ 4,419	\$ 25,000
2013	26,850	-	-	6,590	79,190	4,419	25,000
2014	26,800	-	-	6,590	79,190	4,419	25,000
2015	26,700	-	-	6,590	79,190	4,419	25,000
2016	27,550	-	-	6,590	79,190	4,419	16,192
2017-2022	27,300	-	-	19,770	395,950	22,095	-
2023-2028	-	-	-	-	277,165	13,257	-
Total	<u>\$ 162,050</u>	<u>\$ 3,425</u>	<u>\$ 58,163</u>	<u>\$ 52,720</u>	<u>\$ 1,069,065</u>	<u>\$ 57,447</u>	<u>\$ 116,192</u>

**Note 11 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balances	General	Street Const. Maint. & Repair	State High- way	GO Bond Ret.	Fire Operating	Other Gov't'l	Total Gov't'l
<u>Restricted:</u>							
Street Lighting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,422	\$ 16,422
Road Maint. & Impr.	-	8,493	62,167	-	-	15,749	86,409
Fire Operations	-	-	-	-	51,214	-	51,214
Capital Projects	-	-	-	-	-	40,000	40,000
Total Restricted	-	8,493	62,167	-	51,214	72,171	194,045
<u>Committed:</u>							
Debt Service	-	-	-	11,125	-	-	11,125
Recreation	1,575	-	-	-	-	-	1,575
Total Committed	1,575	-	-	11,125	-	-	12,700
Assigned	1,010	-	-	-	-	-	1,010
Unassigned	264,788	-	-	-	-	-	264,788
Total Fund Cash Balances	<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>

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

**Note 12 – Change in Accounting Principle – Restatement of Fund Balance**

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village's 2011 financial statements; however, there was no effect on beginning net position/fund balance.

For 2011, the Village implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on governments fund balance more transparent. It also clarifies the existing governmental fund type definitions. While the application of this new standard did not have an effect on total prior year total fund balances, it did result in the reclassification of funds as detailed below.

	General	Street Const. Maint. & Repair	State High- way	GO Bond Ret.	Fire Operating	Other Gov't'l	Total Gov't'l Funds
<u>Fund Balance</u>							
at December 31, 2010	\$ 284,717	\$ 10,523	\$ 57,022	\$ 7,111	\$ 20,913	\$ 51,327	\$ 431,613
Fund Reclassification	1,873	-	-	-	-	(1,873)	-
Voided checks	40	-	-	-	-	131	171
Fund Balance as Restated	<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>

	Water Operating	Sewer Operating	Swimming Pool	Park Operating	Other Enterprise	Total Enterprise Funds
<u>Fund Balance</u>						
at December 31, 2010	\$ 177,743	\$ 267,763	\$ 448	\$ 557	\$ 50,876	\$ 497,387
Voided checks	-	53	-	-	-	53
Fund Balance as Restated	<u>\$ 177,743</u>	<u>\$ 267,816</u>	<u>\$ 448</u>	<u>\$ 557</u>	<u>\$ 50,876</u>	<u>\$ 497,440</u>

Voided checks During 2011, the Village voided several checks that affected the beginning balance of General, Sewer Operating and Other Governmental Funds.

**Note 13 - Interfund Transfers**

During 2011, the following transfers were made:

<u>Transfers from the General Fund to:</u>	
Townhall/Pool Bond Retirement Fund	\$60,000
Street Fund	10,000
Park Restroom/Concessions Bldg	20,000
Swimming Pool Fund	50,000
Park Operating Fund	48,000
TOTAL	<u>\$188,000</u>

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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**Note 14 - Contingent Liabilities**

The Village is not currently involved in any lawsuits.

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

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of Arlington  
Hancock County  
204 North Main Street  
P.O. Box 699  
Arlington, OH 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Arlington, Hancock County, (the Village) as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 14, 2013. We noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

***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*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 14, 2013.

***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 communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
June 14, 2013

**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.



# Dave Yost • Auditor of State

**VILLAGE OF ARLINGTON**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 29, 2013**