

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2012**







# 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, 2012 through December 31, 2012. 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, 2012**

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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, 2012, 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, 2012, 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.

***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, 2012  
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, 2012, 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 2012 are as follows:

The total net position of the Village decreased by \$152,729. Excluding transfers and advances, an increase in spending of approximately \$206,386 and a decrease in revenues of approximately \$50,545 contributed to the decrease in net position.

The Village's general receipts are primarily property and income taxes and unrestricted grants. General receipts, excluding transfers and advances represent 78 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 81 percent of expenditures.

The Village constructed a restroom/concessions building at the Park. The total construction cost of the building was \$115,496. The Village utilized \$40,000 in grant funding from the Ohio Department of Natural Resources and the Hancock Park District.

In November, the Village refinanced the balance owed on a fire truck that was originally financed in 2007. The balance of \$88,639 was refinanced to a lower interest of 2.85% and will be repaid in 2016.

The Village paid off the balance of General Obligation Bonds that were issued in 1997 in the amount of \$600,000 for the construction of the Municipal Building and Swimming Pool.

### **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.

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 2012, 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 activity. The Village's significant business-type activities include the provision of water and sanitary sewer and operations of the Village swimming pool. Business-type activities are financed by a fee charged to the customers receiving the service.

### **Reporting the Village's Most Significant Funds**

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

Village of Arlington, Hancock County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
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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. The Village's major governmental funds are the General Fund, Street Construction Maintenance and Repair Fund, State Highway Fund, and Fire Fund. In 2012, the Park Restroom and Concessions Building Fund also qualified as a major fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has 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 2012 compared to 2011 on cash basis:

	<b>Net Position</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets</b>						
Cash and Investments	\$ 303,095	\$ 472,543	\$ 476,512	\$ 459,793	\$ 779,607	\$ 932,336
Total Assets	<u>303,095</u>	<u>472,543</u>	<u>476,512</u>	<u>459,793</u>	<u>779,607</u>	<u>932,336</u>
<b>Net Position</b>						
Restricted for:						
Capital Projects	-	40,000	-	-	-	40,000
Other Purposes	147,940	154,045	-	-	147,940	154,045
Unrestricted	<u>155,155</u>	<u>278,498</u>	<u>476,512</u>	<u>459,793</u>	<u>631,667</u>	<u>738,291</u>
Total Net Position	<u>\$ 303,095</u>	<u>\$ 472,543</u>	<u>\$ 476,512</u>	<u>\$ 459,793</u>	<u>\$ 779,607</u>	<u>\$ 932,336</u>

Village of Arlington, Hancock County  
Management's Discussion and Analysis  
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Table 2 reflects the changes in net position in 2012 compared to 2011.

Table 2  
**Changes in Net Position**

	Governmental Activities 2012	Governmental Activities 2011	Business Type Activities 2012	Business Type Activities 2011
<b>Receipts:</b>				
<b>Program Receipts:</b>				
Charges for Services and Sales	\$ 37,793	\$ 35,994	\$ 387,449	\$ 390,108
Operating Grants and Contributions	84,860	64,454	-	446
Capital Grants and Contributions	20,000	20,000	-	-
<b>Total Program Receipts</b>	<b>142,653</b>	<b>120,448</b>	<b>387,449</b>	<b>390,554</b>
<b>General Receipts:</b>				
Property and Other Local Taxes	97,918	99,898	-	-
Special Assessments	64,243	64,990	-	-
Income Taxes	175,300	192,510	-	-
Grants and Entitlements Not Restricted to Specific Programs	46,169	76,773	-	-
Interest	15,348	19,779	-	-
Miscellaneous	12,507	14,749	120	100
<b>Total General Receipts</b>	<b>411,485</b>	<b>468,699</b>	<b>120</b>	<b>100</b>
<b>Total Receipts</b>	<b>554,138</b>	<b>589,147</b>	<b>387,569</b>	<b>390,654</b>
<b>Disbursements:</b>				
Security of Persons and Property	144,238	129,024	-	-
Public Health Services	8,252	8,519	-	-
Leisure Time Activities	-	298	-	-
Transportation	88,012	91,438	-	-
General Government	128,097	111,683	-	-
Capital Outlay	164,407	18,746	-	-
Principal Retirement	160,685	70,653	-	-
Interest and Fiscal Charges	7,627	11,647	-	-
Other Governmental	8,507	8,380	-	-
Water Operations	-	-	218,265	247,110
Sewer Operations	-	-	110,118	128,504
Swimming Pool	-	-	52,687	67,632
Sewage Bond Retirement	-	-	26,835	26,900
Park Operations	-	-	65,257	56,067
Apple Grove Maintenance	-	-	88	88
<b>Total Disbursements</b>	<b>709,825</b>	<b>450,388</b>	<b>473,250</b>	<b>526,301</b>
<b>Excess (Deficiency) Before Other Financing Sources (Uses)</b>				
	(155,687)	138,759	(85,681)	(135,647)
Other Debt Proceeds	88,639	-	-	-
Transfers	(102,400)	(98,000)	102,400	98,000
<b>Increase in Net Position</b>	<b>(169,448)</b>	<b>40,759</b>	<b>16,719</b>	<b>(37,647)</b>
Net Position, January 1	472,543	431,784	459,793	497,440
<b>Net Position, December 31</b>	<b>\$ 303,095</b>	<b>\$ 472,543</b>	<b>\$ 476,512</b>	<b>\$ 459,793</b>

Village of Arlington, Hancock County  
Management's Discussion and Analysis  
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Excluding transfers, governmental program receipts represent 22 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 78 percent of the Village's total governmental receipts, and of this amount, approximately 68 percent are local taxes and special assessments for street repair and street lighting. State and federal grants and entitlements make up 9 percent of the Village's general receipts. Interest, debt proceeds and other receipts make up the remaining 23 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 2012 and 2011 total cost of services and the net cost is presented in Table 3.

Table 3  
**Governmental Activities**

	Total Cost Of Services 2012	Net Cost of Services 2012	Total Cost Of Services 2011	Net Cost of Services 2011
Security of Persons and Property	\$ 144,238	\$ 106,445	\$ 129,024	\$ 93,030
Public Health Services	8,252	8,252	8,519	8,519
Leisure Time Activities	-	(20,000)	298	(19,702)
Transportation	88,012	3,152	91,438	26,984
General Government	128,097	128,097	111,683	111,683
Capital Outlay	164,407	164,407	18,746	18,746
Principal Retirement	160,685	160,685	70,653	70,653
Interest and Fiscal Charges	7,627	7,627	11,647	11,647
Other	8,507	8,507	8,380	8,380
<b>Total Expenses</b>	<b>\$ 709,825</b>	<b>\$ 567,172</b>	<b>\$ 450,388</b>	<b>\$ 329,940</b>

### **Business-Type Activities**

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

### **The Village's Funds**

Excluding transfers and advances, total governmental funds had receipts and other financing sources of \$642,777 and disbursements and other financing uses of \$709,825. Business-type activities funds had receipts and other financing sources of \$387,569 and disbursements and other financing uses of \$473,250.

### **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 \$461,827 while actual disbursements and other financing uses were \$438,357. 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**

In 2012, the Village paid off a balance of general obligation bonds issued for swimming pool improvements and construction of the Municipal/Fire Department Building. At December 31, 2012, the Village's outstanding debt was \$1,174,800 which consisted of mortgage revenue bonds, OPWC and OWDA loans issued to finance utility system construction and improvements, and a commercial loan for a 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, 2012  
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, 2012

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 303,095	\$ 476,512	\$ 779,607
<i>Total Assets</i>	<u>\$ 303,095</u>	<u>\$ 476,512</u>	<u>\$ 779,607</u>
<b>Net Position</b>			
Restricted for:			
Other Purposes	\$ 147,940	-	\$ 147,940
Unrestricted	155,155	\$ 476,512	631,667
<i>Total Net Position</i>	<u>\$ 303,095</u>	<u>\$ 476,512</u>	<u>\$ 779,607</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, 2012

	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	\$ 144,238	\$ 37,793	\$ -	\$ -	\$ (106,445)	\$ -	\$ (106,445)
Public Health Services	8,252	-	-	-	(8,252)	-	(8,252)
Leisure Time Activities	-	-	-	20,000	20,000	-	20,000
Transportation	88,012	-	84,860	-	(3,152)	-	(3,152)
General Government	128,097	-	-	-	(128,097)	-	(128,097)
Capital Outlay	164,407	-	-	-	(164,407)	-	(164,407)
Other	8,507	-	-	-	(8,507)	-	(8,507)
Debt Service:							
Principal	160,685	-	-	-	(160,685)	-	(160,685)
Interest and Fiscal Charges	7,627	-	-	-	(7,627)	-	(7,627)
<i>Total Governmental Activities</i>	<u>709,825</u>	<u>37,793</u>	<u>84,860</u>	<u>20,000</u>	<u>(567,172)</u>	<u>-</u>	<u>(567,172)</u>
<b>Business Type Activities</b>							
Water Operations	218,265	226,562	-	-	-	8,297	8,297
Sewer Operations	110,118	96,559	-	-	-	(13,559)	(13,559)
Swimming Pool	52,687	20,817	-	-	-	(31,870)	(31,870)
Sewage Bond Retirement	26,835	26,500	-	-	-	(335)	(335)
Park Operations	65,257	15,917	-	-	-	(49,340)	(49,340)
Apple Grove Maintenance	88	1,094	-	-	-	1,006	1,006
<i>Total Business Type Activities</i>	<u>473,250</u>	<u>387,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,801)</u>	<u>(85,801)</u>
<b>Total</b>	<u>\$ 1,183,075</u>	<u>\$ 425,242</u>	<u>\$ 84,860</u>	<u>\$ 20,000</u>	<u>(567,172)</u>	<u>(85,801)</u>	<u>(652,973)</u>
<b>General Receipts</b>							
					97,918	-	97,918
Property and Other Local Taxes					64,243	-	64,243
Special Assessments					175,300	-	175,300
Municipal Income Taxes					46,169	-	46,169
Grants and Entitlements not Restricted to Specific Programs					88,639	-	88,639
Proceeds of Note					15,348	-	15,348
Interest					12,507	120	12,627
Miscellaneous					(102,400)	102,400	-
Transfers					<u>397,724</u>	<u>102,520</u>	<u>500,244</u>
<i>Total General Receipts and Transfers</i>							
Change in Net Position					(169,448)	16,719	(152,729)
<i>Net Position Beginning of Year</i>					<u>472,543</u>	<u>459,793</u>	<u>932,336</u>
<i>Net Position End of Year</i>					<u>\$ 303,095</u>	<u>\$ 476,512</u>	<u>\$ 779,607</u>

See accompanying notes to the basic financial statements

**Village of Arlington, Hancock County**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2012

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>State Highway</u>	<u>Fire</u>	<u>Park RR/Conc Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Equity in Pooled Cash and Investments	\$ 155,155	\$ 5,183	\$ 66,871	\$ 44,568	\$ -	\$ 31,318	\$ 303,095
<i>Total Assets</i>	<u>\$ 155,155</u>	<u>\$ 5,183</u>	<u>\$ 66,871</u>	<u>\$ 44,568</u>	<u>\$ -</u>	<u>\$ 31,318</u>	<u>\$ 303,095</u>
<b>Fund Cash Balance</b>							
Restricted	\$ -	\$ 5,183	\$ 66,871	\$ 44,568	\$ -	\$ 31,318	\$ 147,940
Committed	1,575	-	-	-	-	-	1,575
Assigned	19,375	-	-	-	-	-	19,375
Unassigned (Deficit)	134,205	-	-	-	-	-	134,205
<i>Total Fund Balances</i>	<u>\$ 155,155</u>	<u>\$ 5,183</u>	<u>\$ 66,871</u>	<u>\$ 44,568</u>	<u>\$ -</u>	<u>\$ 31,318</u>	<u>\$ 303,095</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*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Street Construction Maintenance and Repair	State Highway	Fire	Park RR/Conc Building	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$ 51,508	-	-	46,410	\$ -	-	\$ 97,918
Municipal Income Taxes	175,300	-	-	-	-	-	175,300
Intergovernmental	38,591	\$ 59,421	\$ 4,818	7,578	20,000	\$ 20,621	151,029
Special Assessments	-	-	-	-	-	64,243	64,243
Charges for Services	-	-	-	37,793	-	-	37,793
Fines, Licenses and Permits	1,889	-	-	-	-	-	1,889
Earnings on Investments	14,256	63	1,029	-	-	-	15,348
Miscellaneous	-	8,198	-	-	-	-	8,198
<i>Total Receipts</i>	<u>281,544</u>	<u>67,682</u>	<u>5,847</u>	<u>91,781</u>	<u>20,000</u>	<u>84,864</u>	<u>551,718</u>
<b>Disbursements</b>							
Current:							
Security of Persons and Property	29,834	-	-	76,917	-	37,487	144,238
Public Health Services	8,252	-	-	-	-	-	8,252
Transportation	5,877	80,992	1,143	-	-	-	88,012
General Government	128,078	-	-	-	-	19	128,097
Capital Outlay	-	-	-	-	115,496	48,911	164,407
Debt Service:							
Principal Retirement	-	-	-	105,685	-	55,000	160,685
Interest and Fiscal Charges	-	-	-	4,464	-	3,163	7,627
<i>Total Disbursements</i>	<u>172,041</u>	<u>80,992</u>	<u>1,143</u>	<u>187,066</u>	<u>115,496</u>	<u>144,580</u>	<u>701,318</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	109,503	(13,310)	4,704	(95,285)	(95,496)	(59,716)	(149,600)
<b>Other Financing Sources (Uses)</b>							
Other Debt Issued	-	-	-	88,639	-	-	88,639
Transfers In	-	10,000	-	-	55,496	47,038	112,534
Transfers Out	(214,934)	-	-	-	-	-	(214,934)
Advances In	23,500	-	-	-	20,000	-	43,500
Advances Out	(23,500)	-	-	-	(20,000)	-	(43,500)
Other Financing Sources	1,720	-	-	-	-	700	2,420
Other Financing Uses	(8,507)	-	-	-	-	-	(8,507)
<i>Total Other Financing Sources (Uses)</i>	<u>(221,721)</u>	<u>10,000</u>	<u>-</u>	<u>88,639</u>	<u>55,496</u>	<u>47,738</u>	<u>(19,848)</u>
<i>Net Change in Net Position</i>	(112,218)	(3,310)	4,704	(6,646)	(40,000)	(11,978)	(169,448)
<i>Net Position Beginning of Year</i>	<u>267,373</u>	<u>8,493</u>	<u>62,167</u>	<u>51,214</u>	<u>40,000</u>	<u>43,296</u>	<u>472,543</u>
<i>Position End of Year</i>	<u>\$ 155,155</u>	<u>\$ 5,183</u>	<u>\$ 66,871</u>	<u>\$ 44,568</u>	<u>\$ -</u>	<u>\$ 31,318</u>	<u>\$ 303,095</u>

See accompanying notes to the basic financial statements

**Village of Arlington, Hancock County**  
**Statement of Receipts, Disbursements and Changes**  
**In Net Position - Budget and Actual -Budget Basis**  
**General Fund**  
**For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 60,309	\$ 60,252	\$ 51,508	\$ (8,744)
Municipal Income Taxes	160,000	160,000	175,300	15,300
Intergovernmental	28,645	28,645	38,591	9,946
Fines, Licenses and Permits	2,500	2,500	1,889	(611)
Earnings on Investments	28,000	28,000	14,256	(13,744)
<i>Total receipts</i>	<u>279,454</u>	<u>279,397</u>	<u>281,544</u>	<u>2,147</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	30,000	32,300	32,300	-
Public Health Services	8,600	8,600	8,252	348
Transportation	7,600	7,011	5,877	1,134
General Government	113,645	160,939	144,987	15,952
Capital Outlay	2,584	580	-	580
<i>Total Disbursements</i>	<u>162,429</u>	<u>209,430</u>	<u>191,416</u>	<u>18,014</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	117,025	69,967	90,128	20,161
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(113,000)	(218,897)	(214,934)	3,963
Advances In	-	-	23,500	23,500
Advances Out	-	(23,500)	(23,500)	-
Other Financing Sources	5,000	5,000	1,720	(3,280)
Other Financing Uses	(10,000)	(10,000)	(8,507)	1,493
<i>Total Other Financing Sources (Uses)</i>	<u>(118,000)</u>	<u>(247,397)</u>	<u>(221,721)</u>	<u>25,676</u>
<i>Net Change in Fund balance</i>	(975)	(177,430)	(131,593)	45,837
<i>Fund Balance Beginning of Year</i>	264,788	264,788	264,788	-
Prior Year Encumbrances Appropriated	1,010	1,010	1,010	-
<i>Fund Balance End of Year</i>	<u>\$ 264,823</u>	<u>\$ 88,368</u>	<u>\$ 134,205</u>	<u>\$ 45,837</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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 62,800	\$ 62,800	\$ 59,421	\$ (3,379)
Earnings on Investments	1,500	1,500	63	(1,437)
Miscellaneous	7,700	7,700	8,198	498
<i>Total receipts</i>	<u>72,000</u>	<u>72,000</u>	<u>67,682</u>	<u>(4,318)</u>
<b>Disbursements</b>				
Current:				
Transportation	82,000	90,000	82,827	7,173
<i>Total Disbursements</i>	<u>82,000</u>	<u>90,000</u>	<u>82,827</u>	<u>7,173</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	(10,000)	(18,000)	(15,145)	2,855
<b>Other Financing Sources (Uses)</b>				
Transfers In	10,000	10,000	10,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	-	(8,000)	(5,145)	2,855
<i>Fund Balance Beginning of Year</i>	8,493	8,493	8,493	-
<i>Fund Balance End of Year</i>	<u>\$ 8,493</u>	<u>\$ 493</u>	<u>\$ 3,348</u>	<u>\$ 2,855</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, 2012*

	<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	\$ 4,818	\$ (982)
Earnings on Investments	200	200	1,029	829
<i>Total receipts</i>	<u>6,000</u>	<u>6,000</u>	<u>5,847</u>	<u>(153)</u>
<b>Disbursements</b>				
Current:				
Transportation	6,000	6,000	1,143	4,857
<i>Total Disbursements</i>	<u>6,000</u>	<u>6,000</u>	<u>1,143</u>	<u>4,857</u>
<i>Net Change in Fund Balance</i>	-	-	4,704	4,704
<i>Fund Balance Beginning of Year</i>	<u>62,167</u>	<u>62,167</u>	<u>62,167</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 62,167</u>	<u>\$ 62,167</u>	<u>\$ 66,871</u>	<u>\$ 4,704</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 54,000	\$ 53,901	\$ 46,410	\$ (7,491)
Intergovernmental	-	-	7,578	7,578
Charges for Services	29,000	29,000	37,793	8,793
<i>Total receipts</i>	<u>83,000</u>	<u>82,901</u>	<u>91,781</u>	<u>8,880</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	67,184	92,184	79,209	12,975
Debt Service:				
Principal Retirement	20,000	108,639	105,685	2,954
Interest and Fiscal Charges	6,000	6,000	4,464	1,536
<i>Total Disbursements</i>	<u>93,184</u>	<u>206,823</u>	<u>189,358</u>	<u>17,465</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(10,184)	(123,922)	(97,577)	26,345
<b>Other Financing Sources (Uses)</b>				
Other Debt Proceeds	-	88,639	88,639	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>88,639</u>	<u>88,639</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(10,184)	(35,283)	(8,938)	26,345
<i>Fund Balance Beginning of Year</i>	40,324	40,324	40,324	-
Prior Year Encumbrances Appropriated	10,890	10,890	10,890	-
<i>Fund Balance End of Year</i>	<u>\$ 41,030</u>	<u>\$ 15,931</u>	<u>\$ 42,276</u>	<u>\$ 26,345</u>

See accompanying notes to the basic financial statements

**Village of Arlington, Hancock County**  
*Statement of Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2012*

	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	<u>\$ 165,750</u>	<u>\$ 226,862</u>	<u>\$ 7,085</u>	<u>\$ 24,567</u>	<u>\$ 52,248</u>	<u>\$ 476,512</u>
<b>Net Position</b>						
Unrestricted	<u>\$ 165,750</u>	<u>\$ 226,862</u>	<u>\$ 7,085</u>	<u>\$ 24,567</u>	<u>\$ 52,248</u>	<u>\$ 476,512</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, 2012*

	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	\$ 226,562	\$ 96,559	\$ 20,817	\$ 9,925	\$ 27,594	\$ 381,457
<i>Total Operating Receipts</i>	<u>226,562</u>	<u>96,559</u>	<u>20,817</u>	<u>9,925</u>	<u>27,594</u>	<u>381,457</u>
<b>Operating Disbursements</b>						
Personal Services	28,569	26,344	25,260	7,447	-	87,620
Employee Fringe Benefits	5,772	5,542	3,903	1,163	-	16,380
Contractual Services	32,363	30,153	11,000	4,565	88	78,169
Supplies and Materials	41,475	27,255	12,524	51,082	-	132,336
<i>Total Operating Disbursements</i>	<u>108,179</u>	<u>89,294</u>	<u>52,687</u>	<u>64,257</u>	<u>88</u>	<u>314,505</u>
<i>Operating Income (Loss)</i>	118,383	7,265	(31,870)	(54,332)	27,506	66,952
<b>Non-Operating Receipts (Disbursements)</b>						
Other Non-Operating Receipts	-	-	120	-	-	120
Capital Outlay	(16,463)	(20,824)	-	(1,000)	-	(38,287)
Principal Payments	(75,269)	-	-	-	(20,000)	(95,269)
Other Financing Sources	-	-	-	5,992	-	5,992
Other Financing Uses	-	-	-	-	(6,835)	(6,835)
Interest and Fiscal Charges	(18,354)	-	-	-	-	(18,354)
<i>Total Non-Operating Receipts(Disbursements)</i>	<u>(110,086)</u>	<u>(20,824)</u>	<u>120</u>	<u>4,992</u>	<u>(26,835)</u>	<u>(152,633)</u>
<i>Income/(Loss) before Transfers and Advances</i>	8,297	(13,559)	(31,750)	(49,340)	671	(85,681)
Transfers In	-	-	35,000	67,400	-	102,400
Advances In	-	-	-	-	3,500	3,500
Advances Out	-	-	-	-	(3,500)	(3,500)
<i>Change in Net Position</i>	8,297	(13,559)	3,250	18,060	671	16,719
<i>Net Position Beginning 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>
<i>Net Position End of Year</i>	<u>\$ 165,750</u>	<u>\$ 226,862</u>	<u>\$ 7,085</u>	<u>\$ 24,567</u>	<u>\$ 52,248</u>	<u>\$ 476,512</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, 2012

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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, 2012

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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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net 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, 2012

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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, Park Restrooms and Concessions Repair 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 Park Restrooms and Concessions Fund is for the upkeep of those areas. 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, 2012

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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 2012, 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 2012, interest receipts totaling \$15,348 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, 2012

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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, 2012.

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, 2012.

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 \$303,095 in the governmental activities and \$476,512 in business activities. Of the governmental activities, \$147,940 is restricted for other purposes, including public safety, street 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, 2012

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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, 2012

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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 2012.

**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 a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$19,375 for the General Fund, \$1,835 for the Street Construction, Maintenance, and Repair Fund and \$2,292 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, 2012

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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, 2012, the Village had a total carrying bank balance of \$283,607, of which 100% was FDIC insured.

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, 2012, the Village had the following investments and maturities:

Investment Type	Cost	Maturity
Negotiable CD's	\$496,000	1 – 3 years

**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.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2012

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**Credit Risk** Credit risk is the possibility that an insurer or other counter-party 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 2012, 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 2012 for real and public utility property taxes represents collections of 2011 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 2012 with real property taxes.

The 2012 property tax receipts were based upon the assessed value of \$25,993,970. The tax rate applicable to the 2012 receipts was 5.2 mills.

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2012

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

The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property		
Residential and Agricultural	\$	19,796,060
Other		5,610,760
Public Utility		587,150
Total Assessed Value	<u>\$</u>	<u>25,993,970</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. York Risk Pooling Consultants, Inc. (formerly known as 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, 2012, 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, 2012 and 2011:

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2012

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

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$19,224.

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$22,097	\$17,748

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 – Defined Benefit Pension Plans**

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, 2012

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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, 2012, 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 2012 employee contribution rate was 10% of covered payroll for employees. The Village 2012 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012. 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, 2012, 2011 and 2010 were \$22,394, \$24,222 and \$21,403, respectively. The full amount has been contributed for 2012, 2011 and 2010.

**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, 2012

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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.

OPERS' Post Employment Health Care plan was established under, and administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. 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 the coverage selected.

The Village's contributions for health care to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$1,355, \$1,465, and \$1,295, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and approved health care changes, OPERS expects to be able to consistently allocated 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**Note 10 – Debt**

Debt outstanding at December 31, 2012, was as follows:

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2012

**Note 10 – Debt – (continued)**

	Interest Rate	Principal Outstanding at 12/31/11	Principal Issued	Principal Retired	Principal Outstanding at 12/31/12	Amount Due in One Year
Sewer System Mortgage Bonds	5.00%	\$ 137,000	\$ -	\$ 20,000	\$ 117,000	\$ 21,000
OPWC South Main Street Waterline	0.00%	3,424	-	3,424	-	-
Town Hall/Swimming Pool GO Bonds	5.63%	55,000	-	55,000	-	-
OPWC East Alley Waterline	0.00%	52,714	-	6,590	46,124	6,590
OWDA Water Plant Construction	2.00%	932,839	-	60,836	872,003	62,060
OPWC West Alley Waterline	0.00%	57,445	-	4,419	53,026	4,419
Fire Truck Loan	4.84%	103,693	-	103,693	-	-
Fire Truck Loan Refinancing	2.85%	-	88,639	1,992	86,647	24,240
		<u>\$ 1,342,115</u>	<u>\$ 88,639</u>	<u>\$ 255,954</u>	<u>\$ 1,174,800</u>	<u>118,309</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 was paid back with the regular monthly water charges which are received from residents of the Village. The balance of the loan was paid in 2012.

The Townhall/Swimming Pool General Obligation Bonds were issued for the purpose of constructing a new municipal and fire station building 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 balance was paid in 2012.

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 from semi-annual property tax receipts collected specifically for fire apparatus and operations. In 2012, the loan balance was refinanced to a lower interest rate of 2.85% with Commercial Savings Bank.

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, 2012

**Note 10 – Debt – (continued)**

Year ending December 31:	Sewer System Mortgage Bonds	OPWC East Alley Waterline Loan	OWDA Water Plant Construction Loan	OPWC West Alley Waterline Loan	Fire Truck Loan
2013	\$ 26,850	\$ 6,590	\$ 79,190	\$ 4,419	\$ 26,400
2014	26,800	6,590	79,190	4,419	26,400
2015	26,700	6,590	79,190	4,419	26,400
2016	27,550	6,590	79,190	4,419	12,307
2017	27,300	6,590	79,190	4,419	-
2018-2022	-	13,174	395,950	22,095	-
2023-2025	-	-	197,975	8,836	-
Total	<u>\$ 135,200</u>	<u>\$ 46,124</u>	<u>\$ 989,875</u>	<u>\$ 53,026</u>	<u>\$ 91,507</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,339	\$ 15,339
Road Maint. & Impr.	-	5,183	66,871	-	-	15,979	88,033
Fire Operations	-	-	-	-	44,568	-	44,568
Total Restricted	-	5,183	66,871	-	44,568	31,318	147,940
<u>Committed:</u>							
Recreation	1,575	-	-	-	-	-	1,575
Total Committed	1,575	-	-	-	-	-	1,575
Assigned	19,375	-	-	-	-	-	19,375
Unassigned	134,205	-	-	-	-	-	134,205
Total Fund Cash Balances	<u>\$ 155,155</u>	<u>\$ 5,183</u>	<u>\$ 66,871</u>	<u>\$ -</u>	<u>\$ 44,568</u>	<u>\$ 31,318</u>	<u>\$ 303,095</u>

**Note 12 - Interfund Transfers**

During 2012, the following transfers were made:

<u>Transfers from the General Fund to:</u>	
Townhall/Pool Bond Retirement Fund	\$47,038
Street Fund	10,000
Park Restroom/Concessions Bldg	55,496
Swimming Pool Fund	35,000
Park Operating Fund	67,400
TOTAL	<u>\$214,934</u>

Village of Arlington, Hancock County  
Notes to the Financial Statements  
For the Year Ended December 31, 2012

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**Note 13 - 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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Fax - (216) 436-2411

***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, 2012, 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.

***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, 2012

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending December 31, 2011, reported no material citations or recommendations.

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# 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**