



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ARLINGTON
HANCOCK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Arlington, Hancock County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 20, 2001

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$182,712			\$17,643	\$200,355
Special Assessments		\$42,795			42,795
Intergovernmental Receipts	85,316	38,096		40,910	164,322
Charges for Services		19,704			19,704
Fines, Licenses, and Permits	563				563
Earnings on Investments	31,407	4,000			35,407
Miscellaneous		3,281			3,281
Total Cash Receipts	<u>299,998</u>	<u>107,876</u>		<u>58,553</u>	<u>466,427</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	15,072	51,221			66,293
Public Health Services	5,622				5,622
Transportation	5,984	46,785			52,769
General Government	80,851	40		286	81,177
Debt Service			\$60,093		60,093
Capital Outlay	713	9,899		694,338	704,950
Total Cash Disbursements	<u>108,242</u>	<u>107,945</u>	<u>60,093</u>	<u>694,624</u>	<u>970,904</u>
Total Receipts Over/(Under) Disbursements	<u>191,756</u>	<u>(69)</u>	<u>(60,093)</u>	<u>(636,071)</u>	<u>(504,477)</u>
Other Financing Receipts/(Disbursements):					
Loan Proceeds				630,178	630,178
Transfers-In		10,000	63,000		73,000
Transfers-Out	(114,500)				(114,500)
Other Financing Sources	2,278				2,278
Contingencies	(10,902)				(10,902)
Total Other Financing Receipts/(Disbursements)	<u>(123,124)</u>	<u>10,000</u>	<u>63,000</u>	<u>630,178</u>	<u>580,054</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>68,632</u>	<u>9,931</u>	<u>2,907</u>	<u>(5,893)</u>	<u>75,577</u>
Fund Cash Balances, January 1	<u>168,729</u>	<u>100,562</u>	<u>1,252</u>	<u>10,097</u>	<u>280,640</u>
Fund Cash Balances, December 31	<u>\$237,361</u>	<u>\$110,493</u>	<u>\$4,159</u>	<u>\$4,204</u>	<u>\$356,217</u>
Reserves for Encumbrances, December 31	<u>\$5,504</u>	<u>\$2,958</u>		<u>\$22,322</u>	<u>\$30,784</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$339,267
Miscellaneous	<u>27</u>
Total Operating Cash Receipts	<u>339,294</u>
Operating Cash Disbursements:	
Personal Services	64,015
Fringe Benefits	21,053
Contractual Services	152,057
Supplies and Materials	71,232
Capital Outlay	43,653
Miscellaneous	<u>1,495</u>
Total Operating Cash Disbursements	<u>353,505</u>
Operating Loss	<u>(14,211)</u>
Non-Operating Cash Receipts:	
Proceeds of Loans	193,569
Other Financing Sources	<u>3,498</u>
Total Non-Operating Cash Receipts	<u>197,067</u>
Non-Operating Cash Disbursements:	
Debt Service - Principal	53,391
Debt Service - Interest	<u>22,573</u>
Total Non-Operating Cash Disbursements	<u>75,964</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	106,892
Transfers-In	<u>41,500</u>
Net Receipts Over Disbursements	148,392
Fund Cash Balances, January 1	<u>361,350</u>
Fund Cash Balances, December 31	<u><u>\$509,742</u></u>
Reserve for Encumbrances, December 31	<u><u>\$25,900</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$170,258			\$16,096	\$186,354
Special Assessments		\$42,123			42,123
Intergovernmental Receipts	90,317	37,758		1,024	129,099
Charges for Services		19,744			19,744
Fines, Licenses, and Permits	1,423				1,423
Earnings on Investments	19,299	3,842			23,141
Miscellaneous		3,047			3,047
Total Cash Receipts	<u>281,297</u>	<u>106,514</u>		<u>17,120</u>	<u>404,931</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	10,244	50,467			60,711
Public Health Services	3,942				3,942
Transportation	5,678	47,452			53,130
General Government	76,847	35		272	77,154
Debt Service			\$61,780	16,571	78,351
Capital Outlay	25,825	54,336		677,769	757,930
Total Cash Disbursements	<u>122,536</u>	<u>152,290</u>	<u>61,780</u>	<u>694,612</u>	<u>1,031,218</u>
Total Receipts Over/(Under) Disbursements	<u>158,761</u>	<u>(45,776)</u>	<u>(61,780)</u>	<u>(677,492)</u>	<u>(626,287)</u>
Other Financing Receipts/(Disbursements):					
Loan Proceeds				677,769	677,769
Transfers-In			63,000		63,000
Transfers-Out	(90,500)				(90,500)
Other Financing Sources	2,308				2,308
Other Financing Uses	(5,768)				(5,768)
Total Other Financing Receipts/(Disbursements)	<u>(93,960)</u>		<u>63,000</u>	<u>677,769</u>	<u>646,809</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>64,801</u>	<u>(45,776)</u>	<u>1,220</u>	<u>277</u>	<u>20,522</u>
Fund Cash Balances January 1	<u>103,928</u>	<u>146,338</u>	<u>32</u>	<u>9,820</u>	<u>260,118</u>
Fund Cash Balances, December 31	<u>\$168,729</u>	<u>\$100,562</u>	<u>\$1,252</u>	<u>\$10,097</u>	<u>\$280,640</u>
Reserves for Encumbrances, December 31	<u>\$5,458</u>	<u>\$3,899</u>		<u>\$547,522</u>	<u>\$556,879</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$340,333
Contributions and Donations	5,402
Miscellaneous	130
	345,865
Total Operating Cash Receipts	345,865
Operating Cash Disbursements:	
Personal Services	63,099
Fringe Benefits	18,594
Contractual Services	145,235
Supplies and Materials	62,258
Capital Outlay	37,198
	326,384
Total Operating Cash Disbursements	326,384
Operating Income	19,481
Non-Operating Cash Receipts:	
Proceeds of Loans	180,190
Other Financing Sources	700
	180,890
Total Non-Operating Cash Receipts	180,890
Non-Operating Cash Disbursements:	
Debt Service - Principal	166,461
Debt Service - Interest	23,518
Debt Service - Other	15,415
	205,394
Total Non-Operating Cash Disbursements	205,394
Excess of Disbursements Over Receipts Before Interfund Transfers	(5,023)
Transfers-In	27,500
Net Receipts Over Disbursements	22,477
Fund Cash Balances, January 1	338,873
Fund Cash Balances, December 31	\$361,350
Reserve for Encumbrances, December 31	\$8,837

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Arlington, Hancock County, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, and park operations (leisure time activities). The Village contracts with the Hancock County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

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 disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

Street Lighting Assessment Fund - This fund receives special assessments for providing street lighting within the Village.

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

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

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

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Water Plant Construction Fund - This fund received a loan from OWDA . The proceeds were used to construct a new water plant.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2000</u>	<u>1999</u>
Demand deposits	\$219,029	\$73,958
Savings	223,834	207,604
Certificates of deposit	423,096	360,428
Total deposits	<u>\$865,959</u>	<u>\$641,990</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$233,158	\$302,276	\$69,118
Special Revenue	130,600	117,876	(12,724)
Debt Service	63,000	63,000	
Capital Projects	685,930	688,731	2,801
Enterprise	708,650	577,861	(130,789)
Total	<u>\$1,821,338</u>	<u>\$1,749,744</u>	<u>\$71,594</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$401,458	\$239,148	\$162,310
Special Revenue	231,069	110,903	120,166
Debt Service	64,252	60,093	4,159
Capital Projects	696,002	716,946	(20,944)
Enterprise	1,069,922	455,369	614,553
Total	<u>\$2,462,703</u>	<u>\$1,582,459</u>	<u>\$880,244</u>

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$220,320	\$283,605	\$63,285
Special Revenue	127,564	106,514	(21,050)
Debt Service	63,000	63,000	
Capital Projects	1,766,262	694,889	(1,071,373)
Enterprise	376,765	554,255	177,490
Total	<u>\$2,553,911</u>	<u>\$1,702,263</u>	<u>(\$851,648)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$324,247	\$224,262	\$99,985
Special Revenue	273,899	156,189	117,710
Debt Service	63,032	61,780	1,252
Capital Projects	1,776,081	1,242,134	533,947
Enterprise	715,635	540,615	175,020
Total	<u>\$3,152,894</u>	<u>\$2,224,980</u>	<u>\$927,914</u>

4. COMPLIANCE

In some instances, the Clerk did not certify funds as required by Ohio Revised Code § 5705.41(D).

Contrary to Ohio Revised Code § 5705.41(B) expenditures exceeded appropriations in the following funds at the dates indicated:

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures Over Appropriations
December 31, 2000			
Water Plant Construction Fund	\$668,302	\$693,410	\$25,108
December 31, 1999			
Water Operating Fund	310,879	383,519	72,640

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Sewer System Mortgage Bonds	\$303,000	5%
Ohio Public Works Commission South Main Street Waterline Loan	41,097	0%
Ohio Water Development Authority Waterline Loan	97,527	6.56%
Town Hall/Swimming Pool General Obligation Bonds	510,000	5.35-5.75%
Ohio Public Works Commission East Alley Waterline Loan	125,201	0%
Ohio Water Development Authority Water Plant Construction Loan	1,535,991	2%
Total	\$2,612,816	

Proceeds from the Sewer System Mortgage Bonds were used to finance sewer improvements and pay off notes that were of the bond anticipation type. Property and revenues of the utility system have been pledged for the repayment of this debt.

The loan from the Ohio Public Works Commission for the South Main Street Waterline Project was used to finance waterline replacements. The interest-free loan will be paid back with the regular monthly water charges which are received from residents of the Village.

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

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. DEBT (Continued)

The Town Hall/Swimming Pool General Obligation Bonds were issued for the purpose of constructing a new municipal complex and a new swimming pool within the village. The bonds were issued in 1997 in the amount of \$600,000 to be repaid over 15 years with interest paid semiannually.

The Ohio Public Works Commission (OPWC) loan relates to a East Alley Waterline Replacement Project. The OPWC loaned the Village \$131,791 for this project. The loan will be repaid in semiannual installments of \$3,294.78, with no interest, over 20 years.

The Ohio Water Development Authority (OWDA) loan relates to water plant construction. The OWDA has approved up to \$1,616,550 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$25,123.41, including interest, over 25 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. There is no amortization schedule at this time.

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

Year ending December 31:	Sewer System Mortgage Bonds	OPWC South Main Street Waterline Loan	OWDA Waterline Loan	Town Hall/ Swimming Pool General Obligation Bonds	OPWC East Alley Waterline Loan
2001	\$27,150	\$3,424	\$14,126	\$63,405	\$6,590
2002	26,550	3,424	14,126	61,436	6,590
2003	26,950	3,424	14,126	59,468	6,590
2004	27,300	3,424	14,126	57,499	6,590
2005	26,600	3,424	14,126	60,530	6,590
Subsequent	322,500	23,977	63,569	407,060	92,251
Total	<u>\$457,050</u>	<u>\$41,097</u>	<u>\$134,199</u>	<u>\$709,398</u>	<u>\$125,201</u>

7. RETIREMENT SYSTEMS

The Village's employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

As of December 31, 2000, five council members, one board of public affairs member, the fire chief and the mayor have elected Social Security. Social Security members contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries for 1999 and 2000. The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Property;
- Inland marine;
- Crime;
- Auto liability;
- General liability;
- Law enforcement liability; and
- Errors and omissions and employment practices liability.

The Village also provides health insurance to full-time employees through a private carrier.

9. SUBSEQUENT EVENTS AND GRANT AWARD

On February 5, 2001, the Village accepted a bid to purchase a new fire truck apparatus. This purchase is being financed with a \$42,250 loan with Sky Bank dated March 7, 2001. The loan is at 5.875% and has a maturity date of March 7, 2004 with monthly payments of \$7,794.77.

On December 4, 2000, Issue II funds in the amount of \$106,000 were awarded to the Village for the Wardell Street Storm Sewer project.



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Arlington (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 20, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-30232-001 and 2000-30232-002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 20, 2001.

Village of Arlington
Hancock County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 20, 2001

VILLAGE OF ARLINGTON
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2000-30232-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Eighty percent of the transactions tested had not been certified prior to the commitment being incurred nor were they certified using a then and now certification. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls over disbursements we recommend all Village disbursements, receive prior certification of the Clerk and that the Council periodically review the expenditures made to ensure they are within appropriations adopted by the Council certified by the Clerk and recorded against appropriations.

FINDING NUMBER 2000-30232-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Expenditures exceeded appropriations in the following funds at the dates indicated:

<u>Fund</u>	<u>Amount Appropriated</u>	<u>Amount Expended</u>	<u>Excess of Expenditures Over Appropriations</u>
December 31, 2000			
Water Plant Construction Fund	\$668,302	\$693,410	\$25,108
December 31, 1999			
Water Operating Fund	310,879	383,519	72,640

The Clerk should not issue checks for expenditures that would exceed appropriations. The Clerk should inform Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

**VILLAGE OF ARLINGTON
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-30232-001	ORC § 5705.41 (B) Expenditures exceeded appropriations	No	Not corrected
1998-30232-002	ORC § 5705.41 (D) failure to certify expenditures	No	Not corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF ARLINGTON

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 4, 2001**