



Dave Yost • Auditor of State



VILLAGE OF ARLINGTON  
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Enterprise Funds - For the Year Ended December 31, 2014 .....	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013 .....	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Enterprise Funds - For the Year Ended December 31, 2013 .....	8
Notes to the Financial Statements .....	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings .....	21

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Arlington  
Hancock County  
204 North Main Street  
P.O. Box 699  
Arlington, Ohio 45841

To the Village Council:

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

We have audited the accompanying financial statements and related notes of the Village of Arlington, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Arlington, Hancock County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in 1B.

***Emphasis of Matter***

As described in Note 2 for 2013 the Village changed its method of presentation from a cash basis of accounting similar to the requirements for statements prepared in accordance with GASB statement 34 to a regulatory basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 8, 2015

**This page intentionally left blank**



**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$53,617	\$47,856		\$101,473
Municipal Income Tax	186,026			186,026
Intergovernmental	55,399	84,609		140,008
Special Assessments		60,020		60,020
Charges for Services		41,676		41,676
Fines, Licenses and Permits	885			885
Earnings on Investments	6,955	573		7,528
Miscellaneous		6,556		6,556
<i>Total Cash Receipts</i>	<u>302,882</u>	<u>241,290</u>		<u>544,172</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	34,072	87,298		121,370
Public Health Services	8,042			8,042
Transportation	5,006	86,440		91,446
General Government	143,035	32		143,067
Capital Outlay	63,450	90,622	\$214,294	368,366
Debt Service:				
Principal Retirement		28,640		28,640
Interest and Fiscal Charges		2,091		2,091
<i>Total Cash Disbursements</i>	<u>253,605</u>	<u>295,123</u>	<u>214,294</u>	<u>763,022</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>49,277</u>	<u>(53,833)</u>	<u>(214,294)</u>	<u>(218,850)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes		39,798	217,706	257,504
Capitalized Interest on Debt			(3,412)	(3,412)
Sale of Capital Assets		9,500		9,500
Transfers In		20,000		20,000
Transfers Out	(64,000)			(64,000)
Advances In	4,000			4,000
Advances Out	(4,000)			(4,000)
Other Financing Sources	3,067	30		3,097
Other Financing Uses	(8,950)			(8,950)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(69,883)</u>	<u>69,328</u>	<u>\$214,294</u>	<u>213,739</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,606)</u>	<u>15,495</u>		<u>(5,111)</u>
<i>Fund Cash Balances, January 1</i>	<u>196,407</u>	<u>155,403</u>		<u>351,810</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		170,898		170,898
Assigned	87,963			87,963
Unassigned	87,838			87,838
<i>Fund Cash Balances, December 31</i>	<u>\$175,801</u>	<u>\$170,898</u>		<u>\$346,699</u>

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

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$375,911
<b>Operating Cash Disbursements</b>	
Personal Services	92,188
Employee Fringe Benefits	17,438
Contractual Services	90,130
Supplies and Materials	119,580
<i>Total Operating Cash Disbursements</i>	319,336
<i>Operating Income</i>	56,575
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	6,700
Capital Outlay	(10,700)
Principal Retirement	(96,313)
Interest and Other Fiscal Charges	(20,670)
Discount on Debt	
Other Financing Sources	11,894
Other Financing Uses	(2,366)
<i>Total Non-Operating Receipts (Disbursements)</i>	(111,455)
<i>Loss before Transfers and Advances</i>	(54,880)
Transfers In	44,000
Advances In	4,000
Advances Out	(4,000)
<i>Net Change in Fund Cash Balances</i>	(10,880)
<i>Fund Cash Balances, January 1</i>	495,872
<i>Fund Cash Balances, December 31</i>	\$484,992

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

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$56,544	\$46,436	\$102,980
Municipal Income Tax	198,382		198,382
Intergovernmental	66,289	94,418	160,707
Special Assessments		64,150	64,150
Charges for Services		39,688	39,688
Fines, Licenses and Permits	974		974
Earnings on Investments	11,059	908	11,967
Miscellaneous		10,216	10,216
<i>Total Cash Receipts</i>	<u>333,248</u>	<u>255,816</u>	<u>589,064</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	28,470	101,566	130,036
Public Health Services	8,099		8,099
Transportation	6,154	86,456	92,610
General Government	125,501	24	125,525
Capital Outlay	23,520	58,405	81,925
Debt Service:			
Principal Retirement		24,239	24,239
Interest and Fiscal Charges		2,161	2,161
<i>Total Cash Disbursements</i>	<u>191,744</u>	<u>272,851</u>	<u>464,595</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>141,504</u>	<u>(17,035)</u>	<u>124,469</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		23,000	23,000
Transfers Out	(97,000)		(97,000)
Advances In	8,057		8,057
Advances Out	(8,057)		(8,057)
Other Financing Sources	7,169	1,500	8,669
Other Financing Uses	(10,421)		(10,421)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(100,252)</u>	<u>24,500</u>	<u>(75,752)</u>
<i>Net Change in Fund Cash Balances</i>	41,252	7,465	48,717
<i>Fund Cash Balances, January 1</i>	<u>155,155</u>	<u>147,938</u>	<u>303,093</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		155,403	155,403
Assigned	144,689		144,689
Unassigned	51,718		51,718
<i>Fund Cash Balances, December 31</i>	<u>\$196,407</u>	<u>\$155,403</u>	<u>\$351,810</u>

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

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$389,823
<b>Operating Cash Disbursements</b>	
Personal Services	87,347
Employee Fringe Benefits	16,549
Contractual Services	88,370
Supplies and Materials	125,982
<i>Total Operating Cash Disbursements</i>	318,248
<i>Operating Income</i>	71,575
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	10,000
Miscellaneous Receipts	489
Capital Outlay	(21,096)
Principal Retirement	(94,067)
Interest and Other Fiscal Charges	(22,966)
Other Financing Sources	1,425
<i>Total Non-Operating Receipts (Disbursements)</i>	(126,215)
<i>Loss before Transfers and Advances</i>	(54,640)
Transfers In	74,000
Advances In	8,057
Advances Out	(8,057)
<i>Net Change in Fund Cash Balances</i>	19,360
<i>Fund Cash Balances, January 1</i>	476,512
<i>Fund Cash Balances, December 31</i>	\$495,872

*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, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. PEP provides property and casualty coverage for its members. Note 9 to the financial statements provide additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Fire Operating Fund – This fund receives levied tax monies to provide fire protection.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

SR103/Sunset Waterline Fund – This fund receives OWDA grant proceeds. The proceeds are being used to construct a new waterline.

**4. Enterprise Funds**

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

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

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

Swimming Pool Fund - This fund receives proceeds from the General Fund to operate the Village swimming pool.

**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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

VILLAGE OF ARLINGTON  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *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.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. CHANGE IN FINANCIAL STATEMENT PRESENTATION**

In prior years the Village prepared its financial statements on the cash basis similar to the requirements of statements prepared in accordance with GASB statement 34. For 2013, the Village began preparing its statements on a regulatory basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). Instead of a separate column for each major fund with all other funds combined into a single fund, the Village presents each fund type in a separate column.

**3. EQUITY IN POOLED DEPOSITS**

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

	2014	2013
Demand deposits	<u>\$251,691</u>	<u>\$267,682</u>
Certificates of deposit	<u>580,000</u>	<u>580,000</u>
Total deposits	<u><u>\$831,691</u></u>	<u><u>\$847,682</u></u>

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



**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$259,437	\$305,949	\$46,512
Special Revenue	304,975	310,618	5,643
Capital Projects	250,647	217,706	(32,941)
Enterprise	454,850	438,505	(16,345)
Total	\$1,269,909	\$1,272,778	\$2,869

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$336,310	\$327,235	\$9,075
Special Revenue	396,718	296,431	100,287
Capital Projects	250,647	217,706	32,941
Enterprise	522,162	450,709	71,453
Total	\$1,505,837	\$1,292,081	\$213,756

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$269,801	\$340,417	\$70,616
Special Revenue	269,157	280,316	11,159
Capital Projects	490,000		(490,000)
Enterprise	470,850	475,737	4,887
Total	\$1,499,808	\$1,096,470	(\$403,338)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$394,743	\$366,981	\$27,762
Special Revenue	329,566	284,500	45,066
Capital Projects	490,000		490,000
Enterprise	525,682	476,885	48,797
Total	\$1,739,991	\$1,128,366	\$611,625

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

**6. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Interest Rate	Interest Rate
Sewer System Mortgage Bonds	\$74,000	5.00%
OPWC East Alley Waterline	32,946	0.00%
OWDA Water Plant Construction	746,639	2.00%
OPWC West Alley Waterline	44,188	0.00%
OWDA Main Cross / Sunset Waterline Replacement	217,706	2.59%
Fire Pickup Truck Loan	36,300	2.80%
Fire Truck Loan	37,686	2.85%
	<u>\$1,189,465</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 taxes and revenues of the utility system have been pledged for the repayment of this debt.

The OPWC East Alley Waterline loan relates to a waterline replacement project. The Ohio Public Works Commission 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 OWDA Water Plant Construction loan relates to water plant construction. The Ohio Water Development Authority 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.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**7. DEBT (Continued)**

The (OPWC) West Alley Waterline loan relates to a waterline replacement project. The Ohio Public Works Commission 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.

The (OWDA) Main Cross / Sunset Waterline loan related to a waterline replacement project. The Ohio Water Development Authority project is not complete as of December 31, 2014 and final loan amount or an amortization schedule has been established. Debt payments are scheduled to start in 2016 and be paid over 20 years.

In 2014 the Village secured a commercial loan from Commercial Savings Bank in the amount of \$40,000 at an interest rate of 2.8% for 5 years for the purchase of a pickup truck for the fire department. The loan is repaid from semi-annual property tax receipts collected specifically for fire apparatus and operations.

In October 2007, the Village secured a commercial loan from Fifth Third Bank in the amount \$200,000 for financing a 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:

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	Fire Pickup Truck Loan
2015	\$ 26,700	\$ 6,589	\$ 79,190	\$ 4,419	\$ 26,400	\$ 7,625
2016	27,550	6,589	79,190	4,419	12,121	7,842
2017	27,300	6,589	79,190	4,419		8,070
2018		6,589	79,190	4,419		8,302
2019		6,590	79,189	4,419		4,461
2023-2024			395,948	22,093		
2025			39,595			
Total	<u>\$ 81,550</u>	<u>\$ 32,946</u>	<u>\$ 831,492</u>	<u>\$ 44,188</u>	<u>\$ 38,521</u>	<u>\$ 36,300</u>

**8. RETIREMENT SYSTEM**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**9. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$16,000.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**9. RISK MANAGEMENT (Continued)**

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>2013</u>	<u>2014</u>
\$22,467	\$24,137

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.

**10. TRANSFERS AND ADVANCES**

The Village transferred \$20,000, \$36,000 and \$8,000 from the General Fund to the Special Revenue Street Construction Maintenance and Repair Fund, Enterprise Swimming Pool and Park Funds respectively during 2014. The Village advanced \$4,000 from the General Fund to the Enterprise Sewer Bond Retirement Fund which was returned during 2014. The Village transferred \$23,000, \$48,000 and \$26,000 from the General Fund to the Special Revenue Street Construction Maintenance and Repair Fund, Enterprise Swimming Pool and Park Funds respectively during 2013. The Village advanced \$8,057 from the General Fund to the Enterprise Sewer Bond Retirement Fund which was returned during 2013.

**This Page Intentionally Left Blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, Ohio 45841

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 Village of Arlington, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2015, wherein we noted the Village changed its method of accounting from the cash basis to accounting practices Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

***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*.

***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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 8, 2015



**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001**

**Material Weakness**

**Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

GASB 54 introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

The 2015 and 2014 permanent appropriation measures for the General Fund exceeded estimated receipts and reserve for encumbrance balances as follows:

	2015	2014
Estimated Receipts	\$256,376	\$259,437
Appropriations	343,659	336,310
Reserve for Encumbrances	680	67,816
Deficit	\$87,963	\$144,689

Due to an insufficiency of monitoring by management the amounts of the deficit noted above were classified as unassigned rather than recognized as assigned for the excess of the subsequent year’s appropriations over estimated receipts and reserve for encumbrances.

Adjustments were recorded to the 2014 and 2013 financial statements to change the above differences in fund balance classification.

In order to ensure the Township’s fund balances are reported in accordance with GASB 54, we recommend the Officials review and follow Auditor of State Bulletin 2011-004 balance classification.

## FINDING NUMBER 2014-002

### Material Weakness

#### Financial Monitoring

The small size of the Village's fiscal operations does not allow for an adequate segregation of duties. The Fiscal Officer performs most accounting functions. It is therefore important Council monitor financial activity closely.

While the Village Council does review all expenditures, and monitors financial activity, errors in posting were evident during 2014.

The lack of monitoring by Council contributed to the inaccurate posting of transactions to the financial statements. We noted posting errors, including the following:

- OWDA on behalf payment and capitalized interest were not posted to the debt proceeds or the capital outlay line item during 2014 in the amounts of \$66,854 and \$3,412 in the Capital Projects Fund.
- Water and Sewer utility receipts although deposited into the BPA checking account were not recorded on the financial statements Water Operating Fund, Sewer Operating Fund, Applegrove Maintenance Fund, and Sewer Bond Retirement Fund in the amounts of \$46,196, \$17,324, \$642, \$4,417 respectively.
- The Village established an Internal Service Fuel Fund in which they transferred in \$5,000 from the General Fund. This fund was not utilized and upon further review was determined not needed. We removed the transfer and moved the money back to the General Fund.

Adjusting entries were posted to the Village's financial statements and accounting records to correct these posting errors.

In order to ensure the financial activity of the Village is being properly accounted for Council should review the annual financial statements prepared by the Fiscal Officer for accuracy and completeness.

#### Officials' Response:

We did not receive a response from Officials to these findings.



# 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  
NOVEMBER 5, 2015**