

***VILLAGE OF ARLINGTON
HANCOCK COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Village Council
Village of Arlington
204 N. Main Street
P. O. Box 699
Arlington, Ohio 45814

We have reviewed the *Report of Independent Accountants* of the Village of Arlington, Hancock County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 to December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 9, 2009

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HANCOCK COUNTY
12/31/07
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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

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 (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. 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 audit.

We conducted our audit 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 audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village, as of December 31, 2007, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and major special revenue funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 16, 2009 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
July 16, 2009

Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

This discussion and analysis of the Village of Arlington's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, 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 2007 are as follows:

Net assets of governmental activities decreased \$79,493.

The Village's general receipts are primarily property, income taxes and unrestricted grants. General receipts represent 66 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 98 percent of all business type activity revenues and 90 percent of expenditures.

In 2007, the Village financed and received a new fire truck. Total cost of the new fire truck amounted to \$248,182. The Village financed \$200,000. The remaining amount was paid with property tax revenues received in prior years.

In August 2007, the Village experienced a major flood event. The Village paid and encumbered approximately \$75,000 for damages directly related to damages caused by the flooding. Federal and State Emergency Management Activities have committed to reimbursing the Village 75% and 12.5% respectively. As of December 31, 2007, funds had not yet been received from the EMA.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets 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

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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 assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets 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, you can think of these changes as one way to measure 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, you should also consider other nonfinancial factors 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 assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants, charges for services and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

Reporting the Village's Most Significant Funds

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's

Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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, General Obligation Bond Retirement Fund and Fire Equipment 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 three major enterprise funds, the Water Operating Fund, Sewer Operating Fund and Swimming Pool Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Cash and Cash Equivalent	\$ 317,340	\$ 396,833	\$ 515,046	\$ 508,324	\$ 832,386	\$ 905,157
Total Assets	317,340	396,833	515,046	508,324	832,386	905,157
Net Assets						
Restricted for:						
Capital Projects	22,078	73,161	-	-	22,078	73,161
Debt Service	712	1,742	-	-	712	1,742
Other Purposes	144,488	148,803	-	-	144,488	148,803
Unrestricted	150,062	173,127	515,046	508,324	665,108	681,451
Total Net Assets	\$ 317,340	\$ 396,833	\$ 515,046	\$ 508,324	\$ 832,386	\$ 905,157

- As mentioned previously, net assets of governmental activities decreased \$79,493 during 2007.

Table 2 reflects the changes in net assets in 2007 compared to 2006.

Village of Arlington, Hancock County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

(Table 2)

Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Business Type Activities 2007	Business Type Activities 2006
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$ 30,894	\$ 66,030	\$ 375,235	\$ 362,354
Operating Grants and Contributions	13,496	91,246	5,250	6,671
Capital Grants and Contributions	-	29,764	-	-
Total Program Receipts	44,390	187,040	380,485	369,025
General Receipts:				
Property and Other Local Taxes	91,289	89,269	-	-
Special Assessments	56,890	-	-	-
Income Taxes	151,871	147,652	-	-
Grants and Entitlements Not Restricted to Specific Programs	121,649	95,482	-	-
Interest	33,872	28,375	-	-
Proceeds from Loan	200,000	-	-	-
Miscellaneous	22,494	4,443	629	3,977
Total General Receipts	678,065	365,221	629	3,977
Total Receipts	722,455	552,261	381,114	373,002
Disbursements:				
Security of Persons and Property	169,120	93,090	-	-
Public Health Services	7,069	6,740	-	-
Leisure Time Activities	1,310	6,544	-	-
Community Environment	-	21,848	-	-
Transportation	74,623	107,350	-	-
General Government	94,422	95,957	-	-
Capital Outlay	307,233	32,482	-	-
Principal Retirement	49,969	40,000	-	-
Interest and Fiscal Charges	17,661	18,280	-	-
Other Governmental	15,841	9,944	-	-
Water Operations	-	-	208,001	241,513
Sewer Operations	-	-	112,364	158,730
Swimming Pool	-	-	46,577	64,988
Sewage Bond Retirement	-	-	26,150	-
Park Operations	-	-	45,606	14,620
Apple Grove Maintenance	-	-	394	2,239
Total Disbursements	737,248	432,235	439,092	482,090
Excess (Deficiency) Before Transfers	(14,793)	120,026	(57,978)	(109,088)
Transfers	(64,700)	(56,500)	64,700	56,500
Increase in Net Assets	(79,493)	63,526	6,722	(52,588)
Net Assets, January 1	396,833	333,307	508,324	560,912
Net Assets, December 31	\$ 317,340	\$ 396,833	\$ 515,046	\$ 508,324

Governmental program receipts represent 8 percent of total governmental receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, special assessments for street repair and street lighting and charges to surrounding townships for fire services provided under contract.

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General governmental receipts represent 92 percent of the Village's total governmental receipts, and of this amount, over 62 percent are local taxes. State and federal grants and entitlements make up 25 percent of the Village's general receipts. Interest and Other receipts make up the remaining 13 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 and Transportation is the cost of maintaining the roads and alleys.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The next two 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 2007 and 2006 total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
Security of Persons and Property	\$ 169,120	\$ 124,830	\$ 93,090	\$ 28,501
Public Health Services	7,069	7,069	6,740	6,740
Leisure Time Activities	1,310	1,310	6,544	(9,721)
Community Environment	-	-	21,848	16,031
Transportation	74,623	74,623	107,350	9,198
General Government	94,422	94,322	95,957	93,740
Capital Outlay	307,233	307,233	32,482	32,482
Principal Retirement	49,969	49,969	40,000	40,000
Interest and Fiscal Charges	17,661	17,661	18,280	18,280
Other	15,841	15,841	9,944	9,944
Total Expenses	\$ 737,248	\$ 692,858	\$ 432,235	\$ 245,195

The dependence upon property and income tax receipts is apparent as nearly 94 percent of governmental activities are supported through these general receipts.

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

Total governmental funds had receipts and other financing sources of \$934,542 and disbursements and other financing uses of \$1,014,035. The greatest change within governmental funds occurred within the General Fund and the Fire Equipment Fund, and Other Governmental Funds due to flood-related expenses and the acquisition of the new fire truck.

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.

During 2007, the Village amended its General Fund budget to reflect an estimated decrease in Local Government Funding. The difference between final budgeted receipts and actual receipts was due to this decrease in funding.

Final disbursements and other financing uses were budgeted at \$488,155 while actual disbursements and other financing uses were \$389,840. The variance is the result of the Village appropriating all available resources, but using a conservative approach in actual expenditures made.

Capital Assets and Debt Administration

Capital Assets

The Village does not record its capital assets and infrastructure on the financial statements.

Debt

At December 31, 2007, the Village's outstanding debt included \$245,000 in general obligation bonds issued for swimming pool improvements and construction of the Village hall, and \$1,769,316 in a combination of mortgage revenue bonds, OPWC and OWDA loans issued to finance utility system construction and improvements, and a commercial loan for the fire truck purchased in 2007. 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. We rely heavily on local taxes and have 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 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, 2007
Unaudited

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Donna Corbin, Fiscal Officer, Village of Arlington, 204 N. Main Street, P.O. Box 699, Arlington, Ohio 45814-0699.

Village of Arlington, Hancock County
Statement of Net Assets - Cash Basis
 December 31, 2007

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 317,340	\$ 515,046	\$ 832,386
<i>Total Assets</i>	<u>\$ 317,340</u>	<u>\$ 515,046</u>	<u>\$ 832,386</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 22,078	\$ -	\$ 22,078
Debt Service	712	-	712
Other Purposes	144,488	-	144,488
Unrestricted	<u>150,062</u>	<u>515,046</u>	<u>665,108</u>
<i>Total Net Assets</i>	<u>\$ 317,340</u>	<u>\$ 515,046</u>	<u>\$ 832,386</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, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$ 169,120	\$ 30,794	\$ 13,496	\$ (124,830)	\$ -	\$ (124,830)
Public Health Services	7,069	-	-	(7,069)	-	(7,069)
Leisure Time Activities	1,310	-	-	(1,310)	-	(1,310)
Transportation	74,623	-	-	(74,623)	-	(74,623)
General Government	94,422	100	-	(94,322)	-	(94,322)
Capital Outlay	307,233	-	-	(307,233)	-	(307,233)
Other	15,841	-	-	(15,841)	-	(15,841)
Debt Service:						
Principal	49,969	-	-	(49,969)	-	(49,969)
Interest and Fiscal Charges	17,661	-	-	(17,661)	-	(17,661)
<i>Total Governmental Activities</i>	<u>737,248</u>	<u>30,894</u>	<u>13,496</u>	<u>(692,858)</u>	<u>-</u>	<u>(692,858)</u>
Business Type Activities						
Water Operations	208,001	223,363	-	-	15,362	15,362
Sewer Operations	112,364	97,542	-	-	(14,822)	(14,822)
Swimming Pool	46,577	19,380	-	-	(27,197)	(27,197)
Park Operations	45,606	13,171	-	-	(32,435)	(32,435)
Sewage Bond Retirement	26,150	26,500	-	-	350	350
Apple Grove Maintenance	394	1,158	-	-	764	764
<i>Total Business Type Activities</i>	<u>439,092</u>	<u>381,114</u>	<u>-</u>	<u>-</u>	<u>(57,978)</u>	<u>(57,978)</u>
Total	<u>\$ 1,176,340</u>	<u>\$ 412,008</u>	<u>\$ 13,496</u>	<u>\$ (692,858)</u>	<u>(57,978)</u>	<u>(750,836)</u>
General Receipts						
Property and Other Local Taxes				91,289	-	91,289
Special Assessments				56,890	-	56,890
Municipal Income Taxes				151,871	-	151,871
Grants and Entitlements not Restricted to						
Specific Programs				121,649	-	121,649
Interest				33,872	-	33,872
Miscellaneous				22,494	-	22,494
Proceeds from Loan				200,000	-	200,000
<i>Total General Receipts</i>				<u>678,065</u>	<u>-</u>	<u>678,065</u>
Transfers				(64,700)	64,700	-
<i>Total General Receipts and Transfers</i>				<u>613,365</u>	<u>64,700</u>	<u>678,065</u>
Change in Net Assets				(79,493)	6,722	(72,771)
<i>Net Assets Beginning of Year</i>				<u>396,833</u>	<u>508,324</u>	<u>905,157</u>
<i>Net Assets End of Year</i>				<u>\$ 317,340</u>	<u>\$ 515,046</u>	<u>\$ 832,386</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, 2007

	General	Street Construction Maintenance and Repair	State Highway	General Obligation Bond Retirement	Fire Equipment Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 150,062	\$ 15,090	\$ 48,999	\$ 712	\$ 22,078	\$ 80,399	\$ 317,340
<i>Total Assets</i>	<u>\$ 150,062</u>	<u>\$ 15,090</u>	<u>\$ 48,999</u>	<u>\$ 712</u>	<u>\$ 22,078</u>	<u>\$ 80,399</u>	<u>\$ 317,340</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$ 5,364	\$ 6,083	\$ 175	\$ -	\$ 257	\$ 20,799	\$ 32,678
Unreserved:							
Undesignated, Reported in:							
General Fund	144,698	-	-	-	-	-	144,698
Special Revenue Funds	-	9,007	48,824	-	-	59,600	117,431
Debt Service Fund	-	-	-	712	-	-	712
Capital Projects Funds	-	-	-	-	21,821	-	21,821
<i>Total Fund Balances</i>	<u>\$ 150,062</u>	<u>\$ 15,090</u>	<u>\$ 48,999</u>	<u>\$ 712</u>	<u>\$ 22,078</u>	<u>\$ 80,399</u>	<u>\$ 317,340</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Street Construction Maintenance and Repair	State Highway	General Obligation Bond Retirement	Fire Equipment Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 47,704	\$ -	\$ -	\$ -	\$ 43,585	\$ -	\$ 91,289
Municipal Income Taxes	151,871	-	-	-	-	-	151,871
Intergovernmental	55,888	60,924	4,837	-	13,496	-	135,145
Special Assessments	-	-	-	-	-	56,890	56,890
Charges for Services	100	-	-	-	-	26,901	27,001
Fines, Licenses and Permits	3,893	-	-	-	-	-	3,893
Earnings on Investments	31,007	2,365	500	-	-	-	33,872
Miscellaneous	-	8,632	-	-	-	-	8,632
<i>Total Receipts</i>	<u>290,463</u>	<u>71,921</u>	<u>5,337</u>	<u>-</u>	<u>57,081</u>	<u>83,791</u>	<u>508,593</u>
Disbursements							
Current:							
Security of Persons and Property	26,067	-	-	-	50,001	93,052	169,120
Public Health Services	7,069	-	-	-	-	-	7,069
Leisure Time Activities	-	-	-	-	-	1,310	1,310
Transportation	6,549	68,074	-	-	-	-	74,623
General Government	93,621	-	-	-	746	55	94,422
Capital Outlay	14,360	1,565	1,425	-	250,817	39,066	307,233
Debt Service:							
Principal Retirement	-	-	-	45,000	4,969	-	49,969
Interest and Fiscal Charges	-	-	-	16,030	1,631	-	17,661
<i>Total Disbursements</i>	<u>147,666</u>	<u>69,639</u>	<u>1,425</u>	<u>61,030</u>	<u>308,164</u>	<u>133,483</u>	<u>721,407</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>142,797</u>	<u>2,282</u>	<u>3,912</u>	<u>(61,030)</u>	<u>(251,083)</u>	<u>(49,692)</u>	<u>(212,814)</u>
Other Financing Sources (Uses)							
Proceeds of Loan	-	-	-	-	200,000	-	200,000
Transfers In	5,817	-	-	60,000	-	45,000	110,817
Transfers Out	(169,700)	-	-	-	-	(5,817)	(175,517)
Advances In	51,270	-	-	-	-	50,000	101,270
Advances Out	(51,270)	-	-	-	-	(50,000)	(101,270)
Other Financing Sources	13,862	-	-	-	-	-	13,862
Other Financing Uses	(15,841)	-	-	-	-	-	(15,841)
<i>Total Other Financing Sources (Uses)</i>	<u>(165,862)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>200,000</u>	<u>39,183</u>	<u>133,321</u>
<i>Net Change in Fund Balances</i>	<u>(23,065)</u>	<u>2,282</u>	<u>3,912</u>	<u>(1,030)</u>	<u>(51,083)</u>	<u>(10,509)</u>	<u>(79,493)</u>
<i>Fund Balances Beginning of Year</i>	<u>173,127</u>	<u>12,808</u>	<u>45,087</u>	<u>1,742</u>	<u>73,161</u>	<u>90,908</u>	<u>396,833</u>
<i>Fund Balances End of Year</i>	<u>\$ 150,062</u>	<u>\$ 15,090</u>	<u>\$ 48,999</u>	<u>\$ 712</u>	<u>\$ 22,078</u>	<u>\$ 80,399</u>	<u>\$ 317,340</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 General Fund
 For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 53,462	\$ 53,462	\$ 47,704	\$ (5,758)
Municipal Income Taxes	150,000	150,000	151,871	1,871
Intergovernmental	86,038	83,085	55,888	(27,197)
Charges for Services	-	-	100	100
Fines, Licenses and Permits	2,500	2,500	3,893	1,393
Earnings on Investments	28,000	28,000	31,007	3,007
<i>Total receipts</i>	320,000	317,047	290,463	(26,584)
Disbursements				
Current:				
Security of Persons and Property	28,000	28,000	26,067	1,933
Public Health Services	7,000	8,000	7,069	931
Transportation	8,000	8,000	7,090	910
General Government	123,226	127,056	98,444	28,612
Capital Outlay	178,844	116,218	14,360	101,858
<i>Total Disbursements</i>	345,070	287,274	153,030	134,244
<i>Excess of Receipts Over (Under) Disbursements</i>	(25,070)	29,773	137,433	107,660
Other Financing Sources (Uses)				
Transfers In	-	-	5,817	5,817
Transfers Out	(135,000)	(179,880)	(169,700)	10,180
Advances In	-	-	51,270	51,270
Advances Out	-	-	(51,270)	(51,270)
Other Financing Sources	5,000	5,036	13,862	8,826
Other Financing Uses	(11,000)	(21,000)	(15,841)	5,159
<i>Total Other Financing Sources (Uses)</i>	(141,000)	(195,844)	(165,862)	29,982
<i>Net Change in Fund Balance</i>	(166,070)	(166,071)	(28,429)	137,642
<i>Fund Balance Beginning of Year</i>	165,965	165,965	165,965	-
Prior Year Encumbrances Appropriated	7,162	7,162	7,162	-
<i>Fund Balance End of Year</i>	\$ 7,057	\$ 7,056	\$ 144,698	\$ 137,642

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, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 62,800	\$ 62,800	\$ 60,924	\$ (1,876)
Earnings on Investments	1,500	1,500	2,365	865
Miscellaneous	7,700	7,700	8,632	932
<i>Total receipts</i>	<u>72,000</u>	<u>72,000</u>	<u>71,921</u>	<u>(79)</u>
Disbursements				
Current:				
Transportation	71,090	80,165	73,982	6,183
Capital Outlay	13,164	4,089	1,740	2,349
<i>Total Disbursements</i>	<u>84,254</u>	<u>84,254</u>	<u>75,722</u>	<u>8,532</u>
<i>Net Change in Fund Balance</i>	(12,254)	(12,254)	(3,801)	8,453
<i>Fund Balance Beginning of Year</i>	12,174	12,174	12,174	-
Prior Year Encumbrances Appropriated	634	634	634	-
<i>Fund Balance End of Year</i>	<u>\$ 554</u>	<u>\$ 554</u>	<u>\$ 9,007</u>	<u>\$ 8,453</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 4,837	\$ (163)
Earnings on Investments	500	500	500	-
<i>Total receipts</i>	<u>5,500</u>	<u>5,500</u>	<u>5,337</u>	<u>(163)</u>
Disbursements				
Capital Outlay	<u>50,569</u>	<u>50,587</u>	<u>1,600</u>	<u>48,987</u>
<i>Total Disbursements</i>	<u>50,569</u>	<u>50,587</u>	<u>1,600</u>	<u>48,987</u>
<i>Net Change in Fund Balance</i>	(45,069)	(45,087)	3,737	48,824
<i>Fund Balance Beginning of Year</i>	<u>45,087</u>	<u>45,087</u>	<u>45,087</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ 48,824</u>	<u>\$ 48,824</u>

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2007

	Business-Type Activities				Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Swimming Pool Fund	Other Enterprise Funds	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 221,346	\$ 216,143	\$ 99	\$ 77,458	\$ 515,046
Net Assets					
Unrestricted	\$ 221,346	\$ 216,143	\$ 99	\$ 77,458	\$ 515,046

See accompanying notes to the basic financial statements

Village of Arlington, Hancock County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2007*

	Business-Type Activities				Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Swimming Pool Fund	Other Enterprise Funds	
Operating Receipts					
Charges for Services	\$ 223,363	\$ 97,044	\$ 19,249	\$ 35,579	\$ 375,235
<i>Total Operating Receipts</i>	<u>223,363</u>	<u>97,044</u>	<u>19,249</u>	<u>35,579</u>	<u>375,235</u>
Operating Disbursements					
Personal Services	23,138	22,303	18,451	5,083	68,975
Employee Fringe Benefits	3,602	3,419	2,887	713	10,621
Contractual Services	25,657	31,573	9,009	3,830	70,069
Supplies and Materials	46,641	31,325	14,697	4,367	97,030
Other	130	-	-	-	130
<i>Total Operating Disbursements</i>	<u>99,168</u>	<u>88,620</u>	<u>45,044</u>	<u>13,993</u>	<u>246,825</u>
<i>Operating Income (Loss)</i>	124,195	8,424	(25,795)	21,586	128,410
Non-Operating Receipts (Disbursements)					
Other Non-Operating Receipts	-	498	131	5,250	5,879
Capital Outlay	(1,084)	(23,744)	(1,533)	(32,007)	(58,368)
Principal Payments	(80,822)	-	-	(15,000)	(95,822)
Interest and Fiscal Charges	(26,927)	-	-	(11,150)	(38,077)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(108,833)</u>	<u>(23,246)</u>	<u>(1,402)</u>	<u>(52,907)</u>	<u>(186,388)</u>
<i>Income (Loss) before Transfers and Advances</i>	15,362	(14,822)	(27,197)	(31,321)	(57,978)
Transfers In	-	-	24,700	40,000	64,700
Advances In	-	-	-	1,270	1,270
Advances Out	-	-	-	(1,270)	(1,270)
<i>Change in Net Assets</i>	15,362	(14,822)	(2,497)	8,679	6,722
<i>Net Assets Beginning of Year</i>	<u>205,984</u>	<u>230,965</u>	<u>2,596</u>	<u>68,779</u>	<u>508,324</u>
<i>Net Assets End of Year</i>	<u>\$ 221,346</u>	<u>\$ 216,143</u>	<u>\$ 99</u>	<u>\$ 77,458</u>	<u>\$ 515,046</u>

See accompanying notes to the basic financial statements

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. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

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, park operations, and contracts with the Hancock County Sheriff 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.

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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its governmental or business-type activities and to its enterprise funds. 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 assets 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 nonexchange 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 assets 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. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

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 nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund, General Obligation Bond Retirement Fund and Fire Equipment 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 receives 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 Hall and replacement of the Village swimming pool. The Fire Equipment Fund received property taxes and State grants for purchasing fire equipment. The other governmental funds of the Village account for grants and other resources whose 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 and swimming pool 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.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. 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.

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 appropriation 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 appropriation 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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. 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.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2007

The appropriation 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 Cash Equivalents".

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 2007, the Village invested in nonnegotiable certificates of deposit.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$31,007 which includes \$26,864 assigned from other Village funds.

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, 2007.

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 interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Village had no outstanding advances at December 31, 2007.

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 postretirement 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 Assets

Net assets are 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. Net assets restricted for other purposes include resources restricted for uses required by the funding source. Net assets are restricted for capital projects, debt service and other purposes.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

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 nonoperating 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.

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.

In August 2007, the Village experienced a major flood event. A new fund was created to track expenses paid by the Village and reimbursements from the Federal and State Emergency Management Agencies. Expenses related directly to flood damage total approximately \$75,000. FEMA has committed to reimburse the Village 75 percent of the expenses. Ohio EMA has committed 12.5 percent. As of December 31, 2007, funds had not been received from EMA.

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 and each major special revenue 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 \$5,364 for the general fund, \$6,083 for the street construction, maintenance and repair fund, and \$175 in the State Highway Fund.

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;
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;

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2007

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 year end, \$174,796 of the Village's bank balance of \$854,796 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Note 5 – Income Taxes

The Village levies a one percent income tax whose proceeds are placed 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 property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2008-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which the fiscal year 2007 taxes were collected are \$19,354,242, with a tax rate per \$1,000 of assessed valuation of \$4.70.

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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$350,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage exceeding \$3,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$3,000,000.

Property Coverage

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2007

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, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	\$15,122,127	\$13,725,507

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	\$4,262,163	\$3,375,087

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$33,758. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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. The Village became a member of PEP in 2005.

<u>Contributions to PEP</u>	
2005	\$17,266
2006	\$16,156
2007	\$16,879*

*This amount includes \$1,027 paid to provide coverage for the newly acquired fire truck.

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of 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 the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Also, in 2007, the Village was required to obtain flood insurance in order to be eligible for reimbursement from EMA for flood damages. As of December 31, 2007, the premium for this flood coverage had not been invoiced or paid.

Note 8 – Defined Benefit Pension Plans

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.

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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries an increase from 9 percent for 2006. The employer contribution rate for pension benefits for 2007 was 13.85 percent, an increase from 13.70 percent for 2006.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$17,489, \$10,686, and \$10,283, respectively; 100 percent has been contributed for 2007, 2006 and 2005.

Note 9 – Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2007

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual Village contributions for 2007 which were used to fund postemployment benefits were \$7,056. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 10 – Debt

Debt outstanding at December 31, 2007, was as follows:

	Interest Rate	Principal Outstanding at 12/31/06	Principal Issued	Principal Retired	Principal Outstanding at 12/31/07	Amount Due in One Year
Sewer System Mortgage Bonds	5.00%	\$ 223,000	\$ -	\$ 15,000	\$ 208,000	\$ 15,000
OPWC South Main Street Waterline	0.00%	20,549	-	3,425	17,124	3,425
OWDA Waterline	6.56%	42,851	-	11,315	31,536	12,057
Town Hall/Swimming Pool GO Bonds	5.63%	290,000	-	45,000	245,000	45,000
OPWC East Alley Waterline	0.00%	85,663	-	6,589	79,074	6,590
OWDA Water Plant Construction	2.00%	1,219,503	-	55,074	1,164,429	56,181
OPWC West Alley Waterline	0.00%	79,540	-	4,419	75,121	4,419
Fire Truck Loan	4.84%	-	200,000	4,969	195,031	30,687
		<u>\$ 1,961,106</u>	<u>\$ 200,000</u>	<u>\$ 145,791</u>	<u>\$ 2,015,315</u>	<u>173,359</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 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) Waterline 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.

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 an East Alley Waterline Replacement Project. The OPWC loaned the Village \$131,791 for this project. The loan will be repaid in semiannual installments of \$3,295, with no interest, over 20 years.

Village of Arlington, Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2007

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 semiannual 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 semiannual 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 of \$200,000 for financing the new fire truck. The loan is repaid through direct withdrawal from the secondary checking account. The required monthly payment is \$2,016 (including principal and interest); however, the Village has opted to pay \$3,300 per month in order to reduce the principal balance of the loan. Repayment is expected in 2012. The loan is paid from semi-annual tax receipts specifically for the purpose of fire apparatus.

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	OWDA Water Plant Construction Loan	OPWC West Alley Waterline Loan	Fire Truck Loan
2008	\$ 26,350	\$ 3,425	\$ 14,126	\$ 58,623	\$ 6,590	\$ 79,190	\$ 4,419	\$ 39,600
2009	26,550	3,425	14,126	56,215	6,590	79,190	4,419	39,600
2010	26,700	3,425	7,063	58,573	6,590	79,190	4,419	39,600
2011	26,800	3,425	-	55,988	6,590	79,190	4,419	39,600
2012-2016	134,750	3,424	-	58,163	32,950	395,945	22,095	84,630
2017-2021	27,300	-	-	-	19,765	395,945	22,095	-
2022-2025	-	-	-	-	-	277,164	13,255	-
Total	<u>\$ 268,450</u>	<u>\$ 17,124</u>	<u>\$ 35,315</u>	<u>\$ 287,562</u>	<u>\$ 79,075</u>	<u>\$ 1,385,814</u>	<u>\$ 75,121</u>	<u>\$ 243,030</u>

Note 11 – Interfund Transfers and Advances

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Flood Disaster Relief Fund (2052)	\$ 45,000
General Obligation Bond Retirement Fund (3101)	60,000
Swimming Pool Fund (5501)	24,700
Park Operating Fund	40,000
Total Transfers from the General Fund	<u>\$ 169,700</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The Village made a transfer to the General Fund from the Federal Grant fund in the amount of \$5,817 to reimburse expenses.

The Village also made advances totaling \$51,270 from the General Fund to the Sewage Bond Retirement Fund (\$1,270) and the Flood Disaster Relief Fund (\$50,000).

All of these advances were repaid by year end.

Note 12 – Contingent Liabilities

The Village is currently not 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. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited 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, Ohio (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 16, 2009, wherein we noted the Village uses the cash basis of accounting. We conducted our audit 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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, grant agreements and other matters, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2007-VAHC-01.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We also noted certain matters that we have reported to management of the Village in a separate letter dated July 16, 2009.

This report is intended solely 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.

Charles E. Harris and Associates, Inc.
July 16, 2009

VILLAGE OF ARLINGTON
HANCOCK COUNTY, OHIO
For the Year Ended December 31, 2007

SCHEDULE OF FINDINGS

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

FINDING NUMBER 07-VAHC-001

NONCOMPLIANCE CITATION

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriation, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriation.

<u>Funds</u>	<u>Variance</u>
General Fund	(\$11,943)
Special Revenue Funds:	
Street Construction Maintenance & Repair Fund	(\$79)
Highway Improvement Fund	(\$181)
Street Repair Fund	(\$16,499)
Street Lighting Fund	(\$16,677)
Community Foundation Grant Fund	(\$14,721)
Enterprise Funds:	
Water Fund	(\$1,638)
Swimming Pool Operating Fund	(\$15,920)
Apple Grove Maintenance Fund	(\$342)
Utility Deposit Fund	(\$1,000)

We recommend that the Village monitor estimated receipts and actual revenue. The Village should request that Hancock County issue an amended certificate of estimated resources to reflect the reduced revenue if necessary.

Management Response

The Village intends on better monitoring the budgetary process. The current Fiscal Officer was hired in 2007 and now has a better understanding of the budgetary process.

VILLAGE OF ARLINGTON
HANCOCK COUNTY, OHIO
For the Year Ended December 31, 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit, for the year ended December 31, 2006, reported no material citations or recommendations.



Mary Taylor, CPA
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
OCTOBER 19, 2009