



**Auditor of State  
Betty Montgomery**



VILLAGE OF ARLINGTON  
HANCOCK COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Arlington (the Village), Hancock County, as of and for the year ended December 31, 2004, 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 opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a 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 financial position-modified cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Arlington, Hancock County, Ohio, as of December 31, 2004, and the respective changes in financial position-modified cash basis and the respective budgetary comparison for the General and the Street Assessment Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2005, 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.

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, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

April 18, 2005

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

The discussion and analysis of the Village of Arlington's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2004 were as follows:

- Net assets for governmental activities increased \$20,060, or approximately 7.0 percent. Net assets for business-type activities increased \$16,300, or approximately 3.0 percent. Both are relatively insignificant changes from the prior fiscal year.
- General revenues were \$407,094, or 73 percent of all governmental activities revenues. This reflects the Village's significant dependence on property and income taxes.
- Finally, for the year ended December 31, 2004, the Village had total revenues of \$951,423 and expenses of \$915,063. The Village had total net assets of \$820,534 at the end of the year.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village of Arlington as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole Village, presenting both an aggregate view of the Village's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in a single column.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2004. These statements include all revenues and disbursements on another comprehensive basis of accounting similar to the cash basis of accounting. This basis of accounting records revenues when received and disbursements when a payment is issued.

These statements report the Village's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Village as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
(Continued)**

In the statement of net assets and the statement of activities, the Village discloses two types of activities:

Governmental Activities - Most of the Village's programs and services are reported here including general government, street construction maintenance and repair, debt service and capital projects. These services are primarily funded by property tax revenues, income tax revenues and grants and entitlements.

Business-type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Water, Sewer, Swimming Pool, Park, and Apple Grove Maintenance are reported as business-type activities.

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

Fund financial statements provide detailed information about the Village's major funds. While the Village uses many funds to account for its financial transactions, the fund financial statements focus on the Village's most significant funds. The Village's major funds are the General Fund, Street Assessment Special Revenue Fund, Issue II Capital Projects Fund, Water Operating Fund, and the Sewer Operating Fund.

Governmental Funds - Most of the Village's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an other comprehensive basis of accounting similar to the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance programs.

Enterprise Funds - Enterprise funds use the same basis of accounting as governmental funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2004. A comparative analysis is not provided because this is the first year for government wide financial statements. An analysis will be provided in future years when prior year information is available:

Table 1			
Net Assets			
	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
<b>Assets</b>			
Current and Other Assets	\$ 285,369	\$ 535,165	\$ 820,534
<i>Total Assets</i>	<u>285,369</u>	<u>535,165</u>	<u>820,534</u>
<b>Net Assets</b>			
Restricted	135,411	16,547	151,958
Unrestricted	149,958	518,618	668,576
<i>Total Net Assets</i>	<u>\$ 285,369</u>	<u>\$ 535,165</u>	<u>\$ 820,534</u>



**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
(Continued)**

Table 2 reflects the changes in net assets for 2004. A comparative analysis is not provided because this is the first year for government wide financial statements. An analysis will be provided in future years when prior year information is available.

Table 2  
Change in Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$ 25,649	\$ 362,374	\$ 388,023
Operating Grants, Contributions, and Interest	49,632	-	49,632
Capital Grants, Contributions, and Interest	75,513	-	75,513
<i>Total Program Revenues</i>	150,794	362,374	513,168
General Revenues			
Property Taxes	72,656	-	72,656
Special Assessments	51,943	-	51,943
Income Taxes	129,168	-	129,168
Grants and Entitlements not Restricted to Specific Programs	62,266	-	62,266
Transfers	(25,500)	25,500	-
Debt Proceeds	88,378	-	88,378
Interest	23,390	-	23,390
Miscellaneous	4,793	5,661	10,454
<i>Total General Revenues</i>	407,094	31,161	438,255
<i>Total Revenues</i>	557,888	393,535	951,423
<b>Expenses</b>			
Current:			
Security of Person and Property	94,281	-	94,281
Public Health Services	7,622	-	7,622
Transportation	64,561	-	64,561
General Government	100,893	-	100,893
Capital Outlay	205,169	-	205,169
Debt Service:			
Principal Retirement	42,572	-	42,572
Interest and Fiscal Charges	22,730	-	22,730
Water Operations	-	254,862	254,862
Sewer Operations	-	77,454	77,454
Swimming Pool	-	33,585	33,585
Park Operating	-	11,334	11,334
Apple Grove Maintenance	-	-	-
<i>Total Expenses</i>	537,828	377,235	915,063
<i>Increase (Decrease) in Net Assets</i>	\$ 20,060	\$ 16,300	\$ 36,360

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
(Continued)**

General revenues make up over 73 percent of all of the Village's governmental activities revenues, and as can be noted from the table above, the largest revenue source for the Village is property and income taxes and special assessments. Property and income taxes and special assessments make up over 45 percent of the total governmental revenues received by the Village.

Program revenues for governmental activities were only 27 percent of total revenues. These revenues are primarily represented by charges for services from fire contracts and building permits. The operating grants and contributions and capital grants and contributions reflected as program revenues are restricted intergovernmental resources which are directly associated with certain governmental activities, such as street construction maintenance and repair and waterline and storm sewer installation.

For business-type activities, over 92 percent of the revenues generated are program revenues resulting from the charges for the services provided.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the sales and charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported primarily by tax revenues. Comparisons to 2003 have not been made since they are not available.

Table 3  
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Current		
Security of Persons and Property	\$ 94,281	\$ 63,704
Public Health Services	7,622	7,622
Transportation	64,611	14,979
General Government	101,253	98,181
Capital Outlay	205,169	137,656
Debt Service:		
Principal Retirement	42,572	42,572
Interest and Fiscal Charges	22,730	22,730
<i>Total Expenses</i>	<u>\$ 538,238</u>	<u>\$ 387,444</u>

Over 81 percent of the Village's cost of operations is provided through general revenues, and for this Village. As reflected in the table above, most of the Village's programs benefit from program revenues.

**The Village's Funds**

The Village's funds are accounted for using another comprehensive basis of accounting similar to the cash basis of accounting. Total funds had revenues and other sources of \$1,059,622 and expenditures of \$1,023,262, resulting in a net increase in fund balance of \$36,360. None of the fund balance changes are considered significant.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
(Continued)**

For the Village's major enterprise funds, the Water Operating Fund had net loss for the year of \$29,603 and the Sewer Operating Fund, had net income for the year of \$47,616.

**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 2004, the Village amended its General Fund budget as needed. Final budgeted revenues and other sources did not change from the original budget. Actual revenue and other source collections, excluding advances, were just \$5,800 more than final budget estimates.

Final expenditures and other uses, excluding advances, were budgeted at \$404,434 while actual amounts were \$141,681 lower at \$262,753. This difference is the result of the Village's practice to budget all available resources while being conservative when making actual expenditures.

**Capital Assets and Debt Administration**

Capital Assets

Under the basis of accounting used by the Village assets are recorded as expenditures when purchased and are not capitalized.

Debt

At December 31, 2004, the Village had outstanding general obligation notes and bonds, in the amount of \$2,226,471. These bonds will not be fully retired until 2025. For further information regarding the Village's debt obligations, see Note 12 to the basic financial statements.

**Current Issues**

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.

In November 2004 the Village residence approved a 2.5 mill five-year levy to support fire operations and purchase fire equipment. This levy replaces a 1 mill levy for general operations and a 1 mill levy for the purchase of fire equipment.

**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 Amy Glick, Fiscal Officer, Village of Arlington, 204 N. Main Street, P.O. Box 699, Arlington, Ohio 45814-0699.

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**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Statement of Net Assets - Modified Cash Basis  
December 31, 2004**

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Cash	\$ 285,369	\$ 535,165	\$ 820,534
<i>Total Assets</i>	\$ 285,369	\$ 535,165	\$ 820,534
 <b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 19,793		\$ 19,793
Debt Service	552	\$ 16,547	17,099
Other Purposes	115,066		115,066
Unrestricted	149,958	518,618	668,576
<i>Total Net Assets</i>	\$ 285,369	\$ 535,165	\$ 820,534

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended December 31, 2004**

	Cash Disbursements
<b>Governmental Activities</b>	
Current:	
Security of Persons and Property	\$ 94,281
Public Health Services	7,622
Transportation	64,561
General Government	100,893
Capital Outlay	205,169
Debt Service:	
Principal Retirement	42,572
Interest and Fiscal Charges	22,730
<i>Total Governmental Activities</i>	537,828
 <b>Business Type Activity</b>	
Water Operations	254,862
Sewer Operations	77,454
Swimming Pool	33,585
Park Operating	11,334
Apple Grove Maintenance	
<i>Total Business Type Activities</i>	377,235
<i>Total</i>	\$ 915,063

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 22,577		\$ 8,000	\$ (63,704)		\$ (63,704)
			(7,622)		(7,622)
	\$ 49,632		(14,929)		(14,929)
3,072			(97,821)		(97,821)
		67,513	(137,656)		(137,656)
			(42,572)		(42,572)
			(22,730)		(22,730)
<u>25,649</u>	<u>49,632</u>	<u>75,513</u>	<u>(387,034)</u>		<u>(387,034)</u>
225,760				\$ (29,102)	(29,102)
123,801				46,347	46,347
11,156				(22,429)	(22,429)
752				(10,582)	(10,582)
905				905	905
<u>362,374</u>				<u>(14,861)</u>	<u>(14,861)</u>
<u>\$ 388,023</u>	<u>\$ 49,632</u>	<u>\$ 75,513</u>	<u>(387,034)</u>	<u>(14,861)</u>	<u>(401,895)</u>

#### General Receipts

Property Taxes Levied for:					
General Purposes			58,289		58,289
Capital Outlay			14,367		14,367
Special Assessments			51,943		51,943
Income Taxes Levied for General Purposes			129,168		129,168
Grants and Entitlements not Restricted to Specific Programs			62,266		62,266
Transfers			(25,500)	25,500	
Debt Proceeds			88,378		88,378
Interest			23,390		23,390
Miscellaneous			4,793	5,661	10,454
<i>Total General Receipts</i>			<u>407,094</u>	<u>31,161</u>	<u>438,255</u>
<i>Change in Net Assets</i>			20,060	16,300	36,360
Net Assets Beginning of Year			265,309	518,865	784,174
<i>Net Assets End of Year</i>			<u>\$ 285,369</u>	<u>\$ 535,165</u>	<u>\$ 820,534</u>

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2004**

	General	Street Assessment	Issue II	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 149,958	\$ 54,533		\$ 80,878	\$ 285,369
<b>Fund Balances</b>					
Reserved for Encumbrances	2,476		\$ 130,266	819	133,561
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	147,482				147,482
Special Revenue Funds		54,533		59,714	114,247
Debt Service Fund				552	552
Capital Projects Funds			(130,266)	19,793	(110,473)
<i>Total Fund Balances</i>	\$ 149,958	\$ 54,533		\$ 80,878	\$ 285,369

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Statement of Cash Receipts, Disbursements and  
Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended December 31, 2004**

	General	Street Assessment	Issue II	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 58,288			\$ 14,367	\$ 72,655
Municipal Income Tax	129,168				129,168
Intergovernmental	62,266		\$ 43,734	81,413	187,413
Special Assessments		\$ 22,515		29,428	51,943
Charges for Services				22,577	22,577
Fines, Licenses and Permits	3,072				3,072
Earnings on Investments	21,747			1,643	23,390
Miscellaneous				4,625	4,625
<i>Total Receipts</i>	<u>274,541</u>	<u>22,515</u>	<u>43,734</u>	<u>154,053</u>	<u>494,843</u>
<b>Disbursements</b>					
Current:					
Security of Persons and Property	23,022			71,259	94,281
Public Health Services	7,622				7,622
Transportation	8,764			55,797	64,561
General Government	97,330	21		288	97,639
Capital Outlay	5,684	31,826	132,112	35,547	205,169
Debt Service:					
Principal Retirement				42,572	42,572
Interest and Fiscal Charges				22,730	22,730
<i>Total Disbursements</i>	<u>142,422</u>	<u>31,847</u>	<u>132,112</u>	<u>228,193</u>	<u>534,574</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>132,119</u>	<u>(9,332)</u>	<u>(88,378)</u>	<u>(74,140)</u>	<u>(39,731)</u>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds			88,378		88,378
Transfers In				82,700	82,700
Transfers Out	(108,200)				(108,200)
Advances In	4,200			5,200	9,400
Advances Out	(6,400)			(3,000)	(9,400)
Other Sources	167				167
Other Uses	(3,254)				(3,254)
<i>Total Other Financing Sources (Uses)</i>	<u>(113,487)</u>		<u>88,378</u>	<u>84,900</u>	<u>59,791</u>
<i>Net Change in Fund Balances</i>	18,632	(9,332)		10,760	20,060
Fund Balances Beginning of Year	131,326	63,865		70,118	265,309
<i>Fund Balances End of Year</i>	<u>\$ 149,958</u>	<u>\$ 54,533</u>		<u>\$ 80,878</u>	<u>\$ 285,369</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual Comparison  
General Fund  
For the Fiscal Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Local Taxes	\$ 65,401	\$ 65,401	\$ 58,288	\$ (7,113)
Municipal Income Tax	125,000	125,000	129,168	4,168
Intergovernmental	56,692	56,692	62,266	5,574
Fines, License and Permits	3,015	3,015	3,072	57
Earnings on Investments	22,000	22,000	21,747	(253)
<i>Total Revenues</i>	<u>272,108</u>	<u>272,108</u>	<u>274,541</u>	<u>2,433</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	23,776	24,776	24,000	776
Public Health Services	7,200	7,700	7,622	78
Transportation	4,230	10,030	9,330	700
General Government	117,633	126,683	98,263	28,420
Capital Outlay	74,595	56,945	5,684	51,261
<i>Total Expenditures</i>	<u>227,434</u>	<u>226,134</u>	<u>144,899</u>	<u>81,235</u>
<i>Excess of Revenues Over Expenditures</i>	<u>44,674</u>	<u>45,974</u>	<u>129,642</u>	<u>83,668</u>
<b>Other Financing Sources (Uses)</b>				
Advances-In			4,200	4,200
Advances-Out			(6,400)	(6,400)
Transfers-Out	(175,000)	(175,000)	(108,200)	66,800
Other Sources	1,000	1,000	167	(833)
Other Uses	(2,000)	(3,300)	(3,254)	46
<i>Total Other Financing Sources (Uses)</i>	<u>(176,000)</u>	<u>(177,300)</u>	<u>(113,487)</u>	<u>63,813</u>
<i>Net Change in Fund Balance</i>	(131,326)	(131,326)	16,155	147,481
Fund Balance Beginning of Year	119,438	119,438	119,438	
Prior Year Encumbrances Appropriated	11,888	11,888	11,888	
<i>Fund Balance End of Year</i>	<u><u>119,438</u></u>	<u><u>119,438</u></u>	<u><u>\$ 147,481</u></u>	<u><u>\$ 147,481</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual Comparison  
Street Assessment Fund  
For the Fiscal Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special Assessments	\$ 18,720	\$ 18,720	\$ 22,515	\$ 3,795
<b>Expenditures</b>				
Current:				
General Government	100	100	21	79
Capital Outlay	82,485	82,485	31,826	50,659
<i>Total Expenditures</i>	<u>82,585</u>	<u>82,585</u>	<u>31,847</u>	<u>50,738</u>
<i>Excess of Expenditures Over Revenues</i>	<u>(63,865)</u>	<u>(63,865)</u>	<u>(9,332)</u>	<u>54,533</u>
Fund Balance Beginning of Year	63,865	63,865	63,865	
Prior Year Encumbrances Appropriated				
<i>Fund Balance End of Year</i>	<u><u>          </u></u>	<u><u>          </u></u>	<u>\$ 54,533</u>	<u>\$ 54,533</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Statement of Fund Net Assets - Modified Cash Basis  
Proprietary Funds  
December 31, 2004**

	Business Type Activities			Total Business Type Activities
	Water Operating	Sewer Operating	Other Business Type Activities	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 200,489	\$ 262,891	\$ 71,785	\$ 535,165
<b>Net Assets</b>				
Unrestricted	\$ 200,489	\$ 262,891	\$ 71,785	\$ 535,165

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Modified Cash Basis  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2004**

	Business Type Activities			Total Business Type Activities
	Water Operating	Sewer Operating	Other Business Type Activities	
<b>Operating Receipts</b>				
Charges for Services	\$ 225,109	\$ 97,301	\$ 39,963	\$ 362,373
Miscellaneous			4,886	4,886
<i>Total Operating Revenues</i>	<u>225,109</u>	<u>97,301</u>	<u>44,849</u>	<u>367,259</u>
<b>Operating Disbursements</b>				
Personal Services	20,361	20,567	15,561	56,489
Employee Fringe Benefits	3,059	2,991	2,323	8,373
Contractual Services	20,286	14,373	8,564	43,223
Supplies and Materials	104,475	12,224	18,469	135,168
Other			150	150
Capital Outlay	3,200			3,200
<i>Total Operating Expenses</i>	<u>151,381</u>	<u>50,155</u>	<u>45,067</u>	<u>246,603</u>
<i>Operating Income (Loss)</i>	<u>73,728</u>	<u>47,146</u>	<u>(218)</u>	<u>120,656</u>
<b>Non-Operating Revenues</b>				
Miscellaneous	-	470	305	775
<b>Non-Operating Disbursements</b>				
Redemption of Principal	71,248		14,000	85,248
Interest and Fiscal Charges	32,083		13,300	45,383
<i>Total Non-Operating Disbursements</i>	<u>103,331</u>	<u>-</u>	<u>27,300</u>	<u>130,631</u>
<i>Income before Transfers and Advances</i>	<u>(29,603)</u>	<u>47,616</u>	<u>(27,213)</u>	<u>(9,200)</u>
<b>Transfers and Advances</b>				
Transfers-In			25,500	25,500
Advances-In			1,200	1,200
Advances-Out			(1,200)	(1,200)
<i>Change in Net Assets</i>	<u>(29,603)</u>	<u>47,616</u>	<u>(1,713)</u>	<u>16,300</u>
Net Assets Beginning of Year	<u>230,092</u>	<u>215,275</u>	<u>73,498</u>	<u>518,865</u>
<i>Net Assets End of Year</i>	<u><u>\$ 200,489</u></u>	<u><u>\$ 262,891</u></u>	<u><u>\$ 71,785</u></u>	<u><u>\$ 535,165</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004**

**NOTE 1 - DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY**

The Village of Arlington, Hancock County (the Village) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

A locally-elected six-member Council governs the Village, which provides general governmental services, including fire protection, street maintenance and repair, water and sewage utilities, park and swimming pool operations.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. For the Village of Arlington, this includes general operations, street maintenance and repair, water and sewage utilities, fire protection and park and swimming pool operations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The Village also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

**A. Fund Accounting**

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Village classifies each fund as either governmental or proprietary.

Governmental: The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund -The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Street Assessment Fund - The street assessment fund accounts for resources received from special assessments to pay for street repairs and improvements.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004  
(Continued)**

Issue II Capital Projects Fund - The Issue II fund receives Ohio Public Works Commission grants and loans for water line and storm sewer improvements.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds: Certain Village funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The Village classifies these as enterprise funds. The following are the Village's major enterprise funds.

Enterprise Funds -The Village's major enterprise funds are the Water Operating and the Sewer Operating Funds. These funds account for the operations of these utilities.

Fiduciary Funds: Fiduciary funds account for cash and investments where the Village is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include investment trust funds, private-purpose trust funds, and agency funds. The Village has no fiduciary funds.

**B. Basis of Presentation**

The Village's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

Government-wide Financial Statement of Activities: This statement displays information about the Village as a whole. The statement reports governmental activities separately from business-type activities.

The government-wide statement of activities compares disbursements with program receipts for each segment of the Village's business-type activities and for each function or program of the Village's governmental 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 government 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 business segment or governmental function is self-financing on the modified-cash basis or draws from the Village's general receipts.

Fund Financial Statements: Fund financial statements report more detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds 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.

**C. Cash, Cash Equivalents and Investments**

The Village deposits and invests cash from all funds in a common pool. The financial statements present each fund's share of interest in the pool as *cash and cash equivalents* on the financial statements.



**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004  
(Continued)**

The Village values investments and cash equivalents at cost. For presentation on the financial statements, the Village classifies investments of the cash management pool as cash equivalents.

Following Ohio statutes, interest is credited to the general, street construction maintenance and repair and the state highway improvement funds. Interest receipts credited to the general fund during fiscal year 2004 was \$21,747, including \$17,645 assigned from other Village funds.

**D. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

**E. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**F. Compensated Absences**

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

**G. Long-term Obligations**

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**H. Fund Balance Designations and Reserves**

The Village reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The Village has reserved fund equity for encumbrances.

**I. Net Assets**

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The Village first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**J. Interfund Activity**

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses; proprietary funds report transfers after nonoperating receipts and disbursements. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004  
(Continued)**

The statements report interfund loans as advances when made or repaid. Note 6 lists unpaid advances receivable and payable.

**K. Budgetary Data**

Ohio law requires the Village Council to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Council may appropriate. The appropriation resolution is the Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Council selects. The Council uses the fund level as the legal level of control.

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

The Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Council passed during the year.

**NOTE 3 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2003, were levied after October 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after October 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004  
(Continued)**

The County Treasurer collects property taxes on behalf of all taxing Districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected.

The assessed values upon which the fiscal year 2004 taxes were collected are \$18,607,360, with a tax rate per \$1,000 of assessed valuation of \$4.70.

**NOTE 4 - INCOME TAX**

The Village levies a municipal income tax of one 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. Income tax revenues are credited to the general fund.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. Bonds and obligations of the State of Ohio or Ohio local governments;
7. The State Treasurer's investment pool (STAR Ohio, a Rule 2-a7-like pool);
8. Certain bankers' acceptances and commercial paper notes;
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific Village obligation or debt and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

Undeposited Cash - At year-end, the Village had no un-deposited cash on hand.

Deposits - At year-end, the carrying amount of the Village's deposits was \$820,534 and the bank balance was \$831,800. \$680,000 of the bank balance was covered by federal depository insurance and \$151,800 was uninsured and uncollateralized. Although the Village followed all state statutory requirements for these deposits, noncompliance with federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation.

**NOTE 6 - INTERFUND BALANCES**

At December 31, 2004, the permissive license tax fund had an outstanding advance of \$2,200 due the general fund. The advance will be repaid in 2005 when additional permissive tax funds are received.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004  
(Continued)**

**NOTE 7- INTERFUND TRANSFERS**

Interfund cash transfers for the year ended December 31, 2004, were as follows:

	Transfer to					Total
	Street Construction	Fire	Town Hall/ Pool Bond Retirement	Swimming Pool	Park Operating	
<b>Transfer from:</b>						
Governmental Activities						
General	\$ 5,000	\$ 28,500	\$ 49,200	\$ 23,000	\$ 2,500	\$ 108,200

The Village transferred cash to prevent cash deficits in the street construction, fire, swimming pool, and park operating funds. Transfers to the town hall/swimming pool bond retirement fund were used to provide resources for the retirement of debt.

**NOTE 8 - RISK MANAGEMENT**

RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**NOTE 9 - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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 financial report, obtainable by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004  
(Continued)**

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2004 was 13.55 percent, 9.55 percent of which was used to fund pension benefits. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$14,168, \$13,765, and \$13,145 respectively; as of December 31, 2004, 78.2 percent had been contributed for 2004 and 100 percent for 2003 and 2002.

**NOTE 10 - POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

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 recipients and primary survivor 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 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 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' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$4,182. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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 skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation the purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004  
(Continued)**

selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care express.

**NOTE 11 CONTINGENCIES**

**A. Grants**

The Village receives financial assistance from State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2004, will not have a material adverse effect on the Village.

**B. Litigation**

The Village is currently not involved in any litigation either as a plaintiff or defendant

**NOTE 12 - LONG-TERM LIABILITIES**

Debt outstanding at December 31, 2004, was as follows:

	Interest Rate	Principal Outstanding at 12/31/03	Principal Issued	Principal Retired	Principal Outstanding at 12/31/04
Sewer System Mortgage Bonds	5.00%	\$ 266,000	-	\$ 14,000	\$ 252,000
OPWC South Main Street Waterline		30,822	-	3,423	27,399
OWDA Waterline	6.56%	72,786	-	9,351	63,435
Town Hall/Swimming Pool GO Bonds	5.63%	405,000	-	35,000	370,000
OPWC East Alley Waterline		105,432	-	6,590	98,842
OWDA Water Plant Construction	2.00%	1,378,299	-	51,882	1,326,417
Fire Equipment Loan	5.88%	7,564	-	7,564	-
OPWC West Alley Waterline		-	88,378	-	88,378
Total		<u>\$ 2,265,903</u>	<u>\$ 88,378</u>	<u>\$ 127,810</u>	<u>\$ 2,226,471</u>

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

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

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

**VILLAGE OF ARLINGTON  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2004  
(Continued)**

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

The Ohio Public Works Commission (OPWC) loan relates to 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 \$3,294.78, with no interest, over 20 years.

The Ohio Water Development Authority (OWDA) loan relates to water plant construction. The OWDA has approved up to \$1,616,550 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$25,123.41, including interest, over 25 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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 \$2,209.45, with no interest, over 20 years.

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
2005	\$ 26,600	\$ 3,425	\$ 14,127	\$ 60,530	\$ 6,590	\$ 79,190	\$ 4,419
2006	26,900	3,425	14,126	58,280	6,590	79,190	4,419
2007	27,150	3,425	14,127	61,030	6,590	79,190	4,419
2008	26,350	3,425	14,126	58,623	6,590	79,190	4,419
2009	26,550	3,425	14,127	56,215	6,590	79,190	4,419
2010-2014	134,000	10,274	7,063	172,914	32,947	395,949	22,095
2015-2019	81,550				32,946	395,949	22,095
2020-2024						395,949	22,095
2025						39,595	
Total	<u>\$ 349,100</u>	<u>\$ 27,399</u>	<u>\$ 77,696</u>	<u>\$ 467,592</u>	<u>\$ 98,843</u>	<u>\$ 1,623,392</u>	<u>\$ 88,380</u>

**NOTE 13 - CONTRACTUAL COMMITMENTS**

At December 31, 2004, the Village had \$130,266 in outstanding contractual commitments for water line replacement and storm sewer installation.

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**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Arlington (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 18, 2005, wherein, we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion(s) on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated April 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **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, providing an opinion 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 that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

April 18, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
MAY 31, 2005**