



**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF ARCADIA  
HANCOCK COUNTY

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# Mary Taylor, CPA Auditor of State

Village of Arcadia  
Hancock County  
104 Gibson Street  
P.O. Box 235  
Arcadia, Ohio 44804-0235

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 4, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Arcadia  
Hancock County  
104 Gibson Street  
P.O. Box 235  
Arcadia, Ohio 44804-0235

To the Village Council:

We have audited the accompanying financial statements of Village of Arcadia, Hancock County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006 or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Arcadia, Hancock County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

For the year ended December 31, 2006, the Village revised its financial presentation to financial statements using accounting practices the Auditor of State prescribes or permits.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.



**Mary Taylor, CPA**  
Auditor of State

August 4, 2008



**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$36,779	\$14,075		\$50,854
Intergovernmental	58,407	31,046		89,453
Special Assessments		3,676		3,676
Charges for Services	240			240
Fines, Licenses and Permits	135			135
Earnings on Investments	43,849	3,270		47,119
Miscellaneous	1,563			1,563
	<u>140,973</u>	<u>52,067</u>		<u>193,040</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	7,300			7,300
Public Health Services	2,902			2,902
Leisure Time Activities	1,861			1,861
Community Environment	8,226			8,226
Transportation		21,248		21,248
General Government	94,413			94,413
Capital Outlay	10,126	2,201	\$10,812	23,139
	<u>124,828</u>	<u>23,449</u>	<u>10,812</u>	<u>159,089</u>
Total Cash Disbursements	<u>124,828</u>	<u>23,449</u>	<u>10,812</u>	<u>159,089</u>
Total Receipts Over/(Under) Disbursements	<u>16,145</u>	<u>28,618</u>	<u>(10,812)</u>	<u>33,951</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			45,490	45,490
Transfers-Out	(45,490)			(45,490)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(29,345)	28,618	34,678	33,951
Fund Cash Balances, January 1	331,612	152,552		484,164
<b>Fund Cash Balances, December 31</b>	<b><u>\$302,267</u></b>	<b><u>\$181,170</u></b>	<b><u>\$34,678</u></b>	<b><u>\$518,115</u></b>
Reserve for Encumbrances, December 31	<u>\$10,789</u>	<u>\$326</u>	<u>\$2,748</u>	<u>\$13,863</u>

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$905,546
<b>Operating Cash Disbursements:</b>	
Personal Services	76,539
Employee Fringe Benefits	12,868
Contractual Services	553,180
Supplies and Materials	24,199
Other	4,625
Total Operating Cash Disbursements	671,411
Operating Income	234,135
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	33,470
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	22,061
Redemption of Principal	86,977
Interest and Other Fiscal Charges	91,368
Total Non-Operating Cash Disbursements	200,406
Net Receipts Over Disbursements	67,199
Fund Cash Balances, January 1	767,248
<b>Fund Cash Balances, December 31</b>	<b>\$834,447</b>
Reserve for Encumbrances, December 31	\$37,729

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$37,913	\$15,038	\$52,951
Intergovernmental	50,729	31,048	81,777
Special Assessments		3,749	3,749
Donations	58,095		58,095
Fines, Licenses and Permits	320		320
Earnings on Investments	36,362	2,998	39,360
Miscellaneous	1,015		1,015
	<u>184,434</u>	<u>52,833</u>	<u>237,267</u>
<b>Total Cash Receipts</b>			
	<u>184,434</u>	<u>52,833</u>	<u>237,267</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	7,512		7,512
Public Health Services	2,913		2,913
Leisure Time Activities	3,496		3,496
Community Environment	5,208		5,208
Basic Utility Service	1,355		1,355
Transportation		15,996	15,996
General Government	82,394		82,394
Capital Outlay	5,962	11,702	17,664
	<u>108,840</u>	<u>27,698</u>	<u>136,538</u>
<b>Total Cash Disbursements</b>			
	<u>108,840</u>	<u>27,698</u>	<u>136,538</u>
<b>Total Receipts Over Disbursements</b>	75,594	25,135	100,729
<b>Fund Cash Balances, January 1</b>	<u>256,018</u>	<u>127,417</u>	<u>383,435</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$331,612</u></u>	<u><u>\$152,552</u></u>	<u><u>\$484,164</u></u>
<b>Reserve for Encumbrances, December 31</b>	<u><u>\$1,434</u></u>		<u><u>\$1,434</u></u>

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$768,348
<b>Operating Cash Disbursements:</b>	
Personal Services	73,999
Employee Fringe Benefits	14,048
Contractual Services	525,928
Supplies and Materials	36,935
Other	2,386
Total Operating Cash Disbursements	653,296
Operating Income	115,052
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	35,544
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	6,231
Redemption of Principal	83,635
Interest and Other Fiscal Charges	94,758
Total Non-Operating Cash Disbursements	184,624
Net Disbursements Over Receipts	(34,028)
Fund Cash Balances, January 1	801,276
<b>Fund Cash Balances, December 31</b>	<b>\$767,248</b>
Reserve for Encumbrances, December 31	\$36,411

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Village participates in one jointly governed organization and The Ohio Government Risk Management Plan a public entity risk pool. Notes 8, 9 and 10 to the financial statements provides additional information for these entities. These organizations are:

Amp Ohio:

Amp Ohio provides electric utilities to the Village.

Public Entity Risk Pool:

Ohio Government Risk Management Plan is available to public entities in Ohio. OGRMP provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

VILLAGE OF ARCADIA  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Storm Sewer Drainage Fund – This fund receives tax proceeds to repair and maintain storm drainage within the Village.

3. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Water Looping Project Fund – This fund receives Issue II money. The money is being used to construct a water main.

4. Enterprise Funds

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

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

Electric Fund - This fund receives charges for services from residents to cover electric service costs.

E. Budgetary Process

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2007 and 2008 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. CHANGE IN FINANCIAL STATEMENT PRESENTATION**

During 2006, the Village changed its method of accounting from cash basis to the regulatory cash basis in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. Instead of reporting major funds in separate columns and all nonmajor funds in a single column, the Village now includes a separate column for each fund type. There were no adjustments to beginning fund balances since the basis of accounting has not changed.

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. EQUITY IN POOLED CASH**

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

	2007	2006
Demand deposits	\$1,299,562	\$1,198,412
Certificates of deposit	53,000	53,000
Total deposits	\$1,352,562	\$1,251,412

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,807	\$140,973	\$56,166
Special Revenue	33,121	52,067	18,946
Capital Projects	45,490	45,490	
Enterprise	606,807	939,016	332,209
Total	\$770,225	\$1,177,546	\$407,321

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$417,852	\$181,107	\$236,745
Special Revenue	185,672	23,775	161,897
Capital Projects	45,490	13,560	31,930
Enterprise	1,410,466	909,546	500,920
Total	\$2,059,480	\$1,127,988	\$931,492

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$143,356	\$184,434	\$41,078
Special Revenue	33,640	52,833	19,193
Enterprise	725,809	803,892	78,083
Total	\$902,805	\$1,041,159	\$138,354



**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. BUDGETARY ACTIVITY – (CONTINUED)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$399,374	\$110,274	\$289,100
Special Revenue	161,056	27,698	133,358
Enterprise	1,527,085	874,331	652,754
Total	\$2,087,515	\$1,012,303	\$1,075,212

**5. PROPERTY TAX**

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

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

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

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

**6. DEBT**

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

	Principal	Interest Rate
Ohio Water Development Authority Loan 2604	\$286,171	2.00%
Ohio Water Development Authority Loan 1456	87,372	7.36%
Ohio Water Development Authority Loan 3213	475,370	6.13%
Water System Mortgage Revenue Bonds	903,900	4.50%
Water Construction Fund Note	60,000	5.00%
Total	\$1,812,813	

The Ohio Water Development Authority (OWDA) loans #2604 and 1456 relate to a sewer system construction project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments over 25 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. DEBT – (CONTINUED)**

The OWDA loan #3213 relates to a waterline to the Red Hawk Run subdivision. The loans will be repaid in semiannual installments over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates and special assessments sufficient to cover OWDA debt service requirements.

The Sewer Debt Service Fund loaned the Water Construction Fund \$60,000 in 2000 to pay part of the cost of the waterline and water tank project. A note was signed promising payment of 5% interest. No payments have been made on this loan and the accrued interest at the end of 2007 is \$20,573. The note did not specify the source of the money to be used to repay the Sewer Debt Service Fund.

The Water System Mortgage Revenue bonds were entered into for the purpose of financing the water project in bringing water to the Village from the City of Fostoria in 2001. The debt has 4.5% interest rate and is scheduled to be paid in full in 2041. The Village was required by Rural Development to set aside a certificate of deposit in the amount of \$53,000.

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

Year ending December 31:	OWDA Loan 2604	OWDA Loan 1456	OWDA Loan 3213	Mortgage Revenue Bonds
2008	\$47,403	\$17,097	\$49,953	\$52,376
2009	47,403	17,140	49,953	52,449
2010	47,403	17,179	49,953	52,395
2011	47,403	17,225	49,953	52,419
2012	47,403	17,274	49,953	52,416
2013-2017	71,106	26,003	249,767	262,048
2018-2022			224,793	262,051
2023-2027				262,017
2028-2032				262,030
2033-2037				262,115
2038-2042				209,618
Total	<u>\$308,121</u>	<u>\$111,918</u>	<u>\$724,325</u>	<u>\$1,781,934</u>

**7. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006.

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	\$6,862,902	\$6,290,528

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY VENTURE (OMEGA JV5)**

The Village of Arcadia is a Financing Participant with an ownership percentage of .11%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**9. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY VENTURE (OMEGA JV5) –  
(CONTINUED)**

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007 and 2006, Arcadia has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$9,844 at December 31, 2007 and \$11,884 at December 31, 2006. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**10. AMP-OHIO**

The Village is a member of AMP-Ohio which is a jointly governed organization between 80 municipalities throughout Ohio, two municipalities in West Virginia, three municipalities in Pennsylvania and one municipality in Michigan. The purpose of AMP-Ohio is to provide electric capacity and energy and to furnish other services to its members.

AMP-Ohio is governed by a Board of Trustees consisting of sixteen members. Each member designates its own representative to the Board of Trustees. Eight of the trustee members are selected by their fellow AMP-Ohio members in each of the services groups. The other eight Board members are elected at large. The main source of revenues is from the sale of electric power. The Village remitted \$8,073 and \$7,309 for 2007 and 2006 respectively to the AMP-Ohio.

**11. SEGMENT INFORMATION FOR ENTERPRISE FUND**

Included in the services provided by the Village financed primarily by user charges are water treatment and distribution, wastewater collection and treatment, electric utility services, sewer debt, and utility deposits. The Key financial information for the electric utility services the year ended December 31, 2007 and 2006:

	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
As of December 31, 2007:			
Operating Cash Receipts	554,976	350,570	905,546
Non-operating Cash Receipts		33,470	33,470
Debt Service		178,345	178,345
Capital Outlay	20,476	1,585	22,061
Operating Cash Disbursements	502,404	169,007	671,411
Fund Cash Balance at 12/31/07	255,529	578,918	834,447
Operating Income	52,572	181,563	234,135
Net Receipts over Disbursements	32,096	35,103	67,199
	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
As of December 31, 2006			
Operating Cash Receipts	426,595	341,753	768,348
Non-operating Cash Receipts		35,544	35,544
Debt Service		178,393	178,393
Capital Outlay	4,446	1,785	6,231
Operating Cash Disbursements	483,341	169,955	653,296
Fund Cash Balance at 12/31/06	223,432	543,816	767,248
Operating Income/(Loss)	(56,746)	171,798	115,052
Net Receipts over/(under) Disbursements	(61,193)	27,165	(34,028)

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**12. OUTSTANDING CONTRACTUAL COMMITMENT**

The Village entered into a contract for \$125,034 to construct a water main on December 10, 2007. Issue II money will be used to help pay for this project.



# Mary Taylor, CPA

Auditor of State

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

Village of Arcadia  
Hancock County  
104 Gibson Street  
P.O. Box 235  
Arcadia, Ohio 44804-0235

To the Village Council:

We have audited the financial statements of the Village of Arcadia, Hancock County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 4, 2008, wherein we noted the Village prepared its financial statements in accordance with accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 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 its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above

We did note certain matters that we reported to the Village's management in a separate letter dated August 4, 2008.

### **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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We did note a certain noncompliance matter that we reported to the Village's management in a separate letter dated August 4, 2008.

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 intend this report solely for the information and use of the finance committee, management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 4, 2008



VILLAGE OF ARCADIA  
HANCOCK COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

**Noncompliance Citation**

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

There are several exceptions to the standard requirement stated above that a clerk/treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Council.

2. **Blanket Certificate** – Fiscal officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For sixty-eight percent of the transactions tested, prior certification was not obtained and a Then and Now certificate was not issued. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Village.

**FINDING NUMBER 2007-001  
(Continued)**

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

**Official's Response:** We are working on correcting the problem.

VILLAGE OF ARCADIA  
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Revised Code 5705.41(D) - certifying expenditures	No	Repeated as Finding 2007-001 in this report.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF ARCADIA**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 26, 2008**