



Dave Yost • Auditor of State

VILLAGE OF ARCADIA
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2015	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21
Schedule of Prior Audit Findings	23

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Arcadia, Hancock County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position or cash flows of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Arcadia, Hancock County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 26, 2016

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$39,642	\$15,278		\$54,920
Intergovernmental	25,901	28,522	\$84,709	139,132
Fines, Licenses and Permits	360			360
Earnings on Investments	1,026	91		1,117
Miscellaneous	1,144	596		1,740
<i>Total Cash Receipts</i>	<u>68,073</u>	<u>44,487</u>	<u>84,709</u>	<u>197,269</u>
Cash Disbursements				
Current:				
Public Health Services	2,219			2,219
Leisure Time Activities	510			510
Community Environment	1,154			1,154
Transportation		26,008		26,008
General Government	75,205	334		75,539
Capital Outlay		23,953	84,709	108,662
<i>Total Cash Disbursements</i>	<u>79,088</u>	<u>50,295</u>	<u>\$84,709</u>	<u>214,092</u>
<i>Net Change in Fund Cash Balances</i>	(11,015)	(5,808)		(16,823)
<i>Fund Cash Balances, January 1</i>	<u>314,076</u>	<u>235,095</u>		<u>549,171</u>
Fund Cash Balances, December 31				
Restricted		229,287		229,287
Assigned	63,374			63,374
Unassigned	239,687			239,687
<i>Fund Cash Balances, December 31</i>	<u>\$303,061</u>	<u>\$229,287</u>		<u>\$532,348</u>

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

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$966,207
Operating Cash Disbursements	
Personal Services	88,543
Employee Fringe Benefits	16,431
Contractual Services	615,461
Supplies and Materials	79,753
Other	7,569
<i>Total Operating Cash Disbursements</i>	807,757
<i>Operating Income</i>	158,450
Non-Operating Receipts (Disbursements)	
Special Assessments	13,233
Miscellaneous Receipts	5,743
Capital Outlay	(27,745)
Principal Retirement	(70,823)
Interest and Other Fiscal Charges	(54,976)
<i>Total Non-Operating Receipts (Disbursements)</i>	(134,568)
<i>Net Change in Fund Cash Balances</i>	23,882
<i>Fund Cash Balances, January 1</i>	669,836
<i>Fund Cash Balances, December 31</i>	\$693,718

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

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$40,575	\$18,581	\$59,156
Intergovernmental	22,852	40,496	63,348
Special Assessments		3,206	3,206
Fines, Licenses and Permits	275		275
Earnings on Investments	1,650	91	1,741
Miscellaneous	320	1,528	1,848
<i>Total Cash Receipts</i>	<u>65,672</u>	<u>63,902</u>	<u>129,574</u>
Cash Disbursements			
Current:			
Public Health Services	3,197		3,197
Leisure Time Activities	526		526
Community Environment	5,378		5,378
Transportation		22,980	22,980
General Government	84,404	411	84,815
Capital Outlay		43,509	43,509
<i>Total Cash Disbursements</i>	<u>93,505</u>	<u>66,900</u>	<u>160,405</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(27,833)</u>	<u>(2,998)</u>	<u>(30,831)</u>
Other Financing Receipts			
Transfers In	<u>239,718</u>		<u>239,718</u>
<i>Net Change in Fund Cash Balances</i>	211,885	(2,998)	208,887
<i>Fund Cash Balances, January 1</i>	<u>102,191</u>	<u>238,093</u>	<u>340,284</u>
Fund Cash Balances, December 31			
Restricted		235,095	235,095
Assigned	73,882		73,882
Unassigned	240,194		240,194
<i>Fund Cash Balances, December 31</i>	<u>\$314,076</u>	<u>\$235,095</u>	<u>\$549,171</u>

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

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$971,798
Operating Cash Disbursements	
Personal Services	94,386
Employee Fringe Benefits	15,163
Contractual Services	575,346
Supplies and Materials	93,385
Other	3,550
<i>Total Operating Cash Disbursements</i>	781,830
<i>Operating Income</i>	189,968
Non-Operating Receipts (Disbursements)	
Special Assessments	16,572
Miscellaneous Receipts	26,405
Capital Outlay	(2,176)
Principal Retirement	(102,228)
Interest and Other Fiscal Charges	(59,413)
Other Financing Uses	(15)
<i>Total Non-Operating Receipts (Disbursements)</i>	(120,855)
<i>Income before Transfers</i>	69,113
Transfers Out	(239,718)
<i>Net Change in Fund Cash Balances</i>	(170,605)
<i>Fund Cash Balances, January 1</i>	840,441
<i>Fund Cash Balances, December 31</i>	\$669,836

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, 2015 AND 2014**

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, Ohio (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 Washington Township to receive fire protection services.

The Village participates in one jointly governed organization and the Public Entities Pool of Ohio, a public entity risk pool. Notes 5, 7, 8, and 12 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

AMP-Ohio provides electric utilities to the Village.

Public Entity Risk Pool:

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

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

C. Deposits and Investments

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

The Village values certificates of deposits at cost.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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 Fund

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

Issue II Fund - The Village received a grant from the State of Ohio for a storm sewer replacement project.

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.

VILLAGE OF ARCADIA
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

4. Assigned

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

5. Unassigned

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$932,640	\$925,586
Other time deposits (savings and NOW accounts)	293,426	293,421
Total deposits	\$1,226,066	\$1,219,007

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

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,138	\$68,073	\$25,935
Special Revenue	56,773	44,487	(12,286)
Capital Projects		84,709	84,709
Enterprise	878,500	985,183	106,683
Total	\$977,411	\$1,182,452	\$205,041

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,020	\$79,088	\$36,932
Special Revenue	249,892	50,295	199,597
Capital Projects	84,709	84,709	
Enterprise	1,457,795	961,301	496,494
Total	\$1,908,416	\$1,175,393	\$733,023

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,357	\$305,390	\$244,033
Special Revenue	56,537	63,902	7,365
Enterprise	848,500	1,014,775	166,275
Total	\$966,394	\$1,384,067	\$417,673

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$162,000	\$93,505	\$68,495
Special Revenue	287,000	66,900	220,100
Enterprise	1,610,829	1,185,380	425,449
Total	\$2,059,829	\$1,345,785	\$714,044

4. 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.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX – (Continued)

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

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #3213	\$264,526	6.13%
Water System Mortgage Revenue Bonds	793,800	4.50%
Total	\$1,058,326	

The Ohio Water Development Authority (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 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 #3213	Mortgage Revenue Bonds
2016	\$49,953	\$52,421
2017	49,953	52,370
2018	49,953	52,386
2019	49,953	52,467
2020	49,953	52,408
2021-2025	74,930	261,980
2026-2030		262,081
2031-2035		262,074
2036-2040		261,977
2041		52,459
Total	\$324,695	\$1,362,623

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT – (Continued)

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 200 kilowatts of a total 771,281 kilowatts, giving the Village a 0.03 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$34,696. The Village received a credit of \$9,672 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$9,045 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$15,979. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made payments of \$15,979 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$265 and interest expense incurred on AMP's line-of-credit of \$71, resulting in a net impaired cost estimate at December 31, 2015 of \$336.

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT – (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014 (the latest information available).

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

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$6,406	\$7,097

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (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.

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.

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.

Also 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, 2015, 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, which acts as the joint venture's agent. During 1993 and 2001 AMP 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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187.* AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (JV5) – (Continued)

The Village's net investment to date in OMEGA JV5 was \$3,287 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. SUBSEQUENT EVENTS

Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

The Village has been awarded a Safe Routes to School grant in an amount up to a maximum of \$195,000 through ODOT. The award includes construction of sidewalks in front of the school, relocation of existing flasher, and improvements of State Route 12 and County Road 216 intersection.

11. INTERFUND TRANSFERS

In 2014, the Village received a Court Order to transfer the remainder of the Sewer Debt Fund balance to the General Fund in the amount of \$239,718.

12. SEGMENT INFORMATION

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 8. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

12. SEGMENT INFORMATION – (Continued)

	2015	2014
Total Assets	\$349,152	\$310,809
Total Liabilities	\$88,710	\$95,255
Condensed Operating Information:		
Operating Receipts		
Charges for Services	\$562,965	\$569,417
Operating Expenses	485,852	526,743
Operating Income	77,113	42,674
Nonoperating Receipts (Disbursements)		
Principal Payments	(22,575)	(25,215)
Interest Payments	(830)	(1,719)
Other Nonoperating Receipts (Disbursements)	(15,365)	(1,258)
Change in Fund Cash Balance	38,343	14,482
Beginning Fund Cash Balance	310,809	296,327
Ending Fund Cash Balance	<u>\$349,152</u>	<u>\$310,809</u>
Condensed Cash Flows Information:		
	2015	2014
Net Cash Provided by:		
Operating Activities	\$77,113	\$42,674
Capital and Related Financing Activities		
Principal Payments on Capital and Related Debt	(22,575)	(25,215)
Interest Payments on Capital and Related Debt	(830)	(1,719)
Other Capital and Related Financing Activities	(15,365)	(1,258)
Net Cash Used by Capital and Related Financing Activities	(38,770)	(28,192)
Net Increase	38,343	14,482
Beginning Fund Cash Balance	310,809	296,327
Ending Fund Cash Balance	<u>\$349,152</u>	<u>\$310,809</u>

This page intentionally left blank.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Arcadia, Hancock County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

May 26, 2016

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness – Monitoring Village Financial Activity

Various transactions were improperly classified in 2015 and 2014 due to insufficient monitoring by management. The financial statements have been adjusted to reflect reclassifications as follows:

- Monies spent on-behalf of the Village by Ohio Public Works Commission, in the amount of \$84,709 in 2015 were not posted to the capital projects fund.
- In the sewer debt fund, principal was posted as interest in the amount of \$1,986 in 2014.
- In the water fund, principal and interest payments were posted as capital outlay in the amounts of \$102,394 and \$102,384 in 2015 and 2014, respectively.
- In the electric fund, principal and interest payments were posted as contractual services disbursements in the amounts of \$9,285 and \$11,531 in 2015 and 2014, respectively.
- In 2014, permissive tax was posted as miscellaneous revenue instead of intergovernmental revenue in the special revenue fund in the amount of \$16,000.
- In 2015, homestead and rollback was posted as property tax instead of intergovernmental revenue in the storm sewer improvement fund in the amount of \$2,828.
- The general fund balance at December 31, 2015 and 2014 was included with the following year's appropriation meaning the fund balance should have been classified as assigned instead of unassigned in the amount of \$63,374 and \$73,882, respectfully.

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State and Council adopt procedures for reviewing the financial statements for accuracy.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

This page intentionally left blank.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 5705.10 (C) & (D) due to incorrect posting of levy revenues to specific funds.	Yes	
2013-002	Ohio Rev. Code § 5705.41(D)(1) for failure to certify expenditures.	Yes	
2013-003	Material weakness due to errors in financial reporting.	No	Not corrected and reissued as Finding 2015-002 in this report.

This page intentionally left blank.



Dave Yost • 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
JUNE 14, 2016