VILLAGE OF ARCADIA
HANCOCK COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004

Auditor of State
Betty Montgomery

VILLAGE OF ARCADIA
HANCOCK COUNTY

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Auditor of State
Betty Montgomery

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 a February 2, 2005, 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 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.

Betty Montgomery

Betty Montgomery
Auditor of State

September 5, 2006

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Auditor of State
Betty Montgomery

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 the Village of Arcadia, Hancock County, (the Village) as of and for the year ended December 31, 2004. 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.

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Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004, 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Arcadia, Hancock County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 5, 2006, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

September 5, 2006

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, 2004

	Governmental Fund Types			
	General	**Special Revenue**	**Capital Projects**	**Totals (Memorandum Only)**
Cash Receipts:				
Property Tax and Other Local Taxes	$36,494	$14,856		$51,350
Special Assessments		3,589		3,589
Intergovernmental Receipts	51,371	23,198	$38,675	113,244
Fines, Licenses, and Permits	225			225
Earnings on Investments	7,412	607		8,019
Donations	166,000			166,000
Miscellaneous	692		100	792
Total Cash Receipts	262,194	42,250	38,775	343,219
Cash Disbursements:				
Current:				
Public Health Services	2,673			2,673
Leisure Time Activities	1,426			1,426
Community Environment	5,505			5,505
Basic Utility Services		4,434		4,434
Transportation	335	14,921		15,256
General Government	98,622			98,622
Capital Outlay	11,253		82,775	94,028
Total Cash Disbursements	119,814	19,355	82,775	221,944
Total Cash Receipts Over/(Under) Cash Disbursements	142,380	22,895	(44,000)	121,275
Other Financing Receipts and (Disbursements):				
Transfers-In			44,000	44,000
Transfers-Out	(54,000)			(54,000)
Total Other Financing Receipts/(Disbursements)	(54,000)		$44,000	(10,000)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	88,380	22,895		111,275
Fund Cash Balances, January 1	189,791	93,468		283,259
Fund Cash Balances, December 31	**$278,171**	**$116,363**		**$394,534**

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 - PROPRIETARY FUND TYPE FOR THE YEAR ENDED DECEMBER 31, 2004

	Enterprise
Operating Cash Receipts:	
Charges for Services	$593,233
Operating Cash Disbursements:	
Personal Services	70,974
Fringe Benefits	16,278
Contractual Services	293,668
Supplies and Materials	43,370
Other	1,650
Capital Outlay	5,845
Total Operating Cash Disbursements	431,785
Operating Income	161,448
Non-Operating Cash Receipts:	
Special Assessments	34,072
Earning on Investments	46
Total Non-Operating Cash Receipts	34,118
Non-Operating Cash Disbursements:	
Debt Service:	
Principal Payments	73,169
Interest Payments	93,643
Total Non-Operating Cash Disbursements	166,812
Excess of Receipts Over Disbursements Before Interfund Transfers	28,754
Transfers-In	10,000
Net Receipts Over Disbursements	38,754
Fund Cash Balances, January 1	720,243
Fund Cash Balances, December 31	**$758,997**

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

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 governs the Village. The Village provides general government services including water, sewer, and electric 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's management believes these financial statements present all activities for which the Village is financially accountable.

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-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, 2004, Arcadia has met their debt coverage obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 $9,510 at December 31, 2004. 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.

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost.

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 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 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 Fund

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

Traffic Signal Fund - This fund received grant proceeds to install a new traffic light.

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 costs.

E. Budgetary Process

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

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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 budgetary activity appears in Note 3.

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. EQUITY IN POOLED CASH

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

	2004
Demand deposits	$1,100,531
Certificates of deposit	53,000
Total deposits	$1,153,531

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$85,849	$262,194	$176,345
Special Revenue	38,615	42,250	3,635
Capital Projects	88,000	82,775	(5,225)
Enterprise	538,107	637,351	99,244
Total	$750,571	$1,024,570	$273,999

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$181,120	$173,814	$7,306
Special Revenue	96,044	19,355	76,689
Capital Projects	88,000	82,775	5,225
Enterprise	1,140,595	598,597	541,998
Total	$1,505,759	$874,541	$631,218

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

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

	Principal	Interest Rate
Ohio Water Development Authority Loan 2604	$406,371	2.00%
Ohio Water Development Authority Loan 1456	116,002	7.36%
Ohio Water Development Authority Loan 3213	531,624	6.13%
Water System Mortgage Revenue Bonds	936,200	4.50%
Promissory Note (Water Construction Fund)	60,000	5.00%
Total	$2,050,197	

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.

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. The prior years required amount was not repaid and the accrued interest at the end of 2004 was $14,573. 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, follows:

Year ending December 31:	OWDA Loan 2604	OWDA Loan 1456	OWDA Loan 3213	Mortgage Revenue Bonds
2005	$47,403	$16,994	$49,953	$52,429
2006	47,403	17,026	49,953	52,466
2007	47,403	17,060	49,953	52,380
2008	47,403	17,097	49,953	52,376
2009	47,403	17,137	49,953	52,449
2010-2041	213,315	77,681	624,419	1,677,111
Total	$450,330	$162,995	$874,184	$1,939,211

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003.

	2004	2003
Assets	$2,390,150	$1,811,340
Liabilities	(3,424,271)	(3,653,152)
Accumulated deficit	($1,034,121)	($1,841,812)

8. JOINT VENTURE

The Village is a participant with forty-one other municipalities in the Ohio Municipal Electric Generation Joint Venture 5 – Belleville Project. The Village of Arcadia's ownership share of this project is 0.11 percent. Each member is required to make debt service payments for the project based upon their percentage of ownership. Payment began in 1994.

8. JOINT VENTURE – (Continued)

Year ending December 31:	Participant Principal	Participant Interest	Refunding Debt Service	Participant Debt Service
2005	$4,452	$5,583	$1,505	$11,540
2006	4,518	5,525	1,506	11,549
2007	4,693	5,344	1,506	11,543
2008	4,792	5,251	1,506	11,549
2009	4,901	5,143	1,507	11,551
2010 - 2024	104,688	45,859	22,582	173,129
Total	$128,044	$72,705	$30,112	$230,861

The joint venture was defendant in a lawsuit seeking damages for a construction project. On July 26, 2001, OMEGA JV5 issued $13,899,981 in capital appreciation bonds to fund the legal settlement. The bonds accrete in value to $56,125,000 and mature in 2025 through 2030. The following table represents the Village's obligation in the settlement:

Year ending December 31:	
2025	$12,007
2026	12,007
2027	12,007
2028	12,007
2029	11,511
2030	2,200
Total	$61,739

9. ENTERPRISE FUND SEGMENT INFORMATION

The Village maintains one Enterprise fund to account for the operations of the Electric Utility. The table below reflects, in a summarized format, the more significant financial data relating to the Electric Fund for the year ended December 31, 2004.

Fund Type	Electric Fund
Operating Income	$31,495
Net Income	31,495
Fund Balance December 31, 2004	$249,573

10. CONTINGENT LIABILITIES

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

11. SUBSEQUENT EVENTS

The Village received a donation of $58,095 on February 1, 2006 from a Revocable Trust which was the final payment due the Village.

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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 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 year ended December 31, 2004, and have issued our report thereon dated September 5, 2006, wherein we noted the Village followed 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 to determine our auditing procedures to express our opinion 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 September 5, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2004-001. In a separate letter to the Village's management dated September 5, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

Betty Montgomery

Betty Montgomery
Auditor of State

September 5, 2006

VILLAGE OF ARCADIA
HANCOCK COUNTY

SCHEDULE OF FINDING
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto 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 in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer'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.

> **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, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.
>
> Amounts of less than $3,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 the taxing authority.
>
> **Blanket Certificate:** Fiscal Officers may prepare "blanket" certificates not exceeding amounts (appropriations) as approved by Council via Ordinance or Resolution, or running beyond the current 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.
>
> **Super Blanket Certificate:** The Village 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 twenty-five percent of the transactions tested, prior certification was not obtained. Although the Village has used Then & Now certificates, in these particular instances they were either not used at all, or were not certified by the fiscal officer. 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 2004-001
(Continued)

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the fiscal officer certification be obtained prior to making purchase commitments. When prior certification is not possible, "Then and Now" certificates should be utilized.

Clients Response:

The process is in place correcting the problem of the signature on the pre-certification by the fiscal officer.

VILLAGE OF ARCADIA
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2003-001	ORC § 135.18 bank deposits not covered by collateral pledged.	Yes	
2003-002	ORC § 5705.41(B) expenditures in excess of appropriations.	Yes	

Auditor of State
Betty Montgomery

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800-282-0370
Facsimile 614-466-4490

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
OCTOBER 3, 2006