



**VILLAGE OF ARCADIA
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

VILLAGE OF ARCADIA
HANCOCK COUNTY

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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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Arcadia, Hancock County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Arcadia, Hancock County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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.

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

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

Betty Montgomery
Auditor of State

September 5, 2006

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of Arcadia's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$539. The decrease did not have a significant impact on any specific fund.
- The Village's general receipts are primarily local government assistance and property taxes. These receipts represent respectively 31 percent and 23 percent of the total cash received for Village activities during the year. Property tax receipts for 2005 changed very little compared to the previous year.
- The Business Type Activities show an increase of \$31,719 or 4 percent in net assets from the previous year. Water, Sanitary Sewer, and Electric Fund revenues are primarily from village residents' and businesses' payments for services.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Village function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental type activities. Most of the Village's basic services are reported here, including streets, parks and storm sewers. Property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has three business-type activities: the provision of water, sanitary sewer service, and the provision of electric current and energy. Business-type activities are financed by fees charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

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

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Funds - The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's only significant governmental fund is the General fund. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three major enterprise funds: the Water Operating Fund, the Sanitary Sewer Operating Fund, and the Electric Operating Fund. The information for the non-major enterprise fund is presented in a single column.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Cash and Cash Equivalents	393,995	394,534	790,716	758,997	1,184,711	1,153,531
Total Assets	<u>393,995</u>	<u>394,534</u>	<u>790,716</u>	<u>758,997</u>	<u>1,184,711</u>	<u>1,153,531</u>
Net Assets						
Restricted for:						
Other Purposes	127,417	116,363			127,417	116,363
Unrestricted	<u>266,578</u>	<u>278,171</u>	<u>790,716</u>	<u>758,997</u>	<u>1,057,294</u>	<u>1,037,168</u>
Total Net Assets	<u>\$393,995</u>	<u>\$394,534</u>	<u>\$790,716</u>	<u>\$758,997</u>	<u>\$1,184,711</u>	<u>\$1,153,531</u>

As mentioned previously, net assets of governmental activities decreased by \$539. The decrease was not significant to any specific fund.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of Village-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

**Changes in Net Assets
(Table 2)**

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$270	\$633,108	\$633,378
Operating Grants and Contributions	25,894		25,894
Capital Grants and Contributions	4,554	34,933	39,487
Total Program Receipts	<u>30,718</u>	<u>668,041</u>	<u>698,759</u>
General Receipts:			
Property Taxes Levied	35,437		35,437
Other Taxes	21,105		21,105
Grants and Entitlements Not Restricted to Specific Programs	47,017		47,017
Interest	16,750		16,750
Miscellaneous	493		493
Total General Receipts	<u>120,802</u>		<u>120,802</u>
Total Receipts	<u>151,520</u>	<u>668,041</u>	<u>819,561</u>
Disbursements:			
General Government	76,852		76,852
Security of Persons and Property:	3,091		3,091
Public Health Services	2,765		2,765
Leisure Time Activities	21,984		21,984
Community Environment	4,415		4,415
Basic Utilities	12,205		12,205
Transportation	8,129		8,129
Capital Outlay	22,618		22,618
Water		199,831	199,831
Sewer		173,446	173,446
Electric		260,915	260,915
Enterprise Deposit		2,130	2,130
Total Disbursements	<u>152,059</u>	<u>636,322</u>	<u>788,381</u>
Increase (Decrease) in Net Assets	(539)	31,719	31,180
Net Assets, January 1, 2005	394,534	758,997	1,153,531
Net Assets, December 31, 2005	<u>\$393,995</u>	<u>\$790,716</u>	<u>\$1,184,711</u>

Program receipts represent 85 percent of total receipts and are primarily comprised of charges for services, which represent 77 percent of the total revenues.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

General receipts represent 15 percent of the Village's total receipts, and of this amount, 7 percent are from taxes. Grants and entitlements make up the balance of the Village's general receipts (6 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, Mayor, Solicitor, and Fiscal Officer, as well as internal services such as payroll and purchasing.

Security of Persons and Property are contracts with the Hancock County Sheriff Department; Public Health Services are amounts withheld from taxes for the Health Department; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are general government and capital outlay, which account for 51 percent and 15 percent of all governmental disbursements, respectively. Leisure Time Activities also represents a significant cost, about 14 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
General Government	\$76,852	\$76,852
Security of Persons and Property	3,091	3,091
Public Health Services	2,765	2,765
Leisure Time Activities	21,984	21,984
Community Environment	4,415	4,145
Basic Utilities	12,205	12,205
Transportation	8,129	(22,319)
Capital Outlay	22,618	22,618
Total Expenses	<u>\$152,059</u>	<u>\$121,341</u>

The dependence upon property tax, local government assistance and other local receipts is apparent as over 79 percent of Village activities are supported through these general receipts.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Business-type Activities

In the business-type activities, program receipts account for 100 percent of the total business-type receipts and are entirely comprised of charges for services (water, sewer and electric). If any surplus is realized it will be used to help fund future improvements to the systems.

The Village's Funds

Total governmental funds had receipts of \$151,520 and disbursements of \$152,059. The change was not significant to any of the Village's funds.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund as well as several other funds to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts in most funds. Difference between final budgeted receipts and actual receipts was due to investment income not being budgeted.

The Village appropriates all its estimated receipts and available fund balances. The Village takes due diligence in keeping spending to a respectable level in order to assure funds for future projects.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements.

Debt

At December 31, 2005, the Village's outstanding debt totaled \$1,974,115. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Another huge source of funds for the Village is Grants and Entitlements. The Village conducted an income survey which could help the Village qualify for grant funds in the future

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Donna Dingelstedt, Fiscal Officer, Village of Arcadia, 104 Gibson Street, P.O. Box 235, Arcadia, Ohio 44804-0235.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 393,995	\$ 790,716	\$ 1,184,711
<i>Total Assets</i>	<u>\$ 393,995</u>	<u>\$ 790,716</u>	<u>\$ 1,184,711</u>
Net Assets:			
Restricted for:			
Other Purposes	\$ 127,417		127,417
Unrestricted	<u>266,578</u>	<u>790,716</u>	<u>1,057,294</u>
<i>Total Net Assets</i>	<u>\$ 393,995</u>	<u>\$ 790,716</u>	<u>\$ 1,184,711</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Cash Disbursements	Charges for Services	Program Cash Receipts	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,091			
Public Health Services	2,765			
Leisure Time Activities	21,984			
Community Environment	4,415	\$ 270		
Basic Utility Services	12,205			
Transportation	8,129		\$ 25,894	\$ 4,554
General Government	76,852			
Capital Outlay	22,618			
<i>Total Governmental Activities</i>	<u>152,059</u>	<u>270</u>	<u>25,894</u>	<u>4,554</u>
Business-Type Activities:				
Water	199,831	208,280		
Sewer	173,446	125,281		34,933
Electric	260,915	295,967		
Enterprise Deposit	2,130	3,580		
<i>Total Business-Type Activities</i>	<u>636,322</u>	<u>633,108</u>		<u>34,933</u>
Totals	<u><u>\$ 788,381</u></u>	<u><u>\$ 633,378</u></u>	<u><u>\$ 25,894</u></u>	<u><u>\$ 39,487</u></u>

General Cash Receipts:

Property Taxes Levied
Other Tax
Grants and Entitlements Not Restricted to Specific Programs
Investment Receipts
Miscellaneous

Total General Cash Receipts

Change in Net Cash Assets

Net Cash Assets at Beginning of Year

Net Cash Assets at End of Year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts
and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (3,091)		\$ (3,091)
(2,765)		(2,765)
(21,984)		(21,984)
(4,145)		(4,145)
(12,205)		(12,205)
22,319		22,319
(76,852)		(76,852)
(22,618)		(22,618)
<u>(121,341)</u>		<u>(121,341)</u>
	\$ 8,449	8,449
	(13,232)	(13,232)
	35,052	35,052
	<u>1,450</u>	<u>1,450</u>
	31,719	31,719
<u>(121,341)</u>	<u>31,719</u>	<u>(89,622)</u>
35,437		35,437
21,105		21,105
47,017		47,017
16,750		16,750
493		493
<u>120,802</u>		<u>120,802</u>
(539)	31,719	31,180
<u>394,534</u>	<u>758,997</u>	<u>1,153,531</u>
<u>\$ 393,995</u>	<u>\$ 790,716</u>	<u>\$ 1,184,711</u>

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Cash Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 266,578	\$ 127,417	\$ 393,995
Total Assets	\$ 266,578	\$ 127,417	\$ 393,995
Fund Cash Balances:			
Unreserved, Undesignated:			
General Fund	\$ 266,578		\$ 266,578
Special Revenue Funds		\$ 127,417	127,417
<i>Total Fund Cash Balances</i>	\$ 266,578	\$ 127,417	\$ 393,995

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
MODIFIED CASH FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Other Governmental Funds	Total Governmental Funds
<i>Cash Receipts:</i>			
Property and Other Local Taxes	\$ 40,005	\$ 16,347	56,352
Intergovernmental	47,115	25,986	73,101
Special Assessments		4,554	4,554
Fines, Licenses, and Permits	270		270
Investment Income	15,217	1,533	16,750
Other	493		493
<i>Total Cash Receipts</i>	103,100	48,420	151,520
<i>Cash Disbursements:</i>			
Current:			
General Government:			
Security of Persons and Property	3,091		3,091
Public Health Services	2,765		2,765
Leisure Time Activities	21,984		21,984
Community Environment	4,415		4,415
Basic Utility Services		12,205	12,205
Transportation		8,129	8,129
General Government	76,852		76,852
Capital Outlay	5,586	17,032	22,618
<i>Total Cash Disbursements</i>	114,693	37,366	152,059
Net Change in Fund Balances	(11,593)	11,054	(539)
<i>Fund Cash Balances at Beginning of Year</i>	278,171	116,363	394,534
<i>Fund Cash Balances at End of Year</i>	\$ 266,578	\$ 127,417	\$ 393,995

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Cash Receipts:				
Property and Other Local Taxes	\$ 40,474	\$ 40,474	\$ 40,005	\$ (469)
Intergovernmental	46,396	46,396	47,115	719
Fines, Licenses, and Permits			270	270
Investment Income			15,217	15,217
Miscellaneous			493	493
<i>Total Cash Receipts</i>	86,870	86,870	103,100	16,230
Cash Disbursements:				
Current:				
General Government:				
Security of Persons and Property			3,091	(3,091)
Public Health Services	2,748	2,765	2,765	
Leisure Time Activities	2,200	9,839	21,984	(12,145)
Community Environment	11,300	11,300	4,415	6,885
General Government	265,350	269,830	76,852	192,978
Capital Outlay	83,443	71,307	5,586	65,721
<i>Total Cash Disbursements</i>	365,041	365,041	114,693	250,348
<i>Net Change in Fund Balance</i>	(278,171)	(278,171)	(11,593)	266,578
<i>Fund Cash Balance at Beginning of Year</i>	278,171	278,171	278,171	
<i>Fund Cash Balance at End of Year</i>	\$ -	\$ -	\$ 266,578	\$ 266,578

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Other Enterprise Fund	Total
Assets:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 174,094	\$ 325,454	\$ 284,625	\$ 6,543	\$ 790,716
<i>Total Assets</i>	<u>\$ 174,094</u>	<u>\$ 325,454</u>	<u>\$ 284,625</u>	<u>\$ 6,543</u>	<u>\$ 790,716</u>
Net Assets:					
Unrestricted	\$ 174,094	\$ 325,454	284,625	6,543	790,716
<i>Total Net Assets</i>	<u>\$ 174,094</u>	<u>\$ 325,454</u>	<u>\$ 284,625</u>	<u>\$ 6,543</u>	<u>\$ 790,716</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Other	Total
Operating Cash Receipts:					
Charges for Services	\$ 208,280	\$ 125,281	\$ 295,967	\$ 3,580	\$ 633,108
Operating Cash Disbursements:					
Personal Services	29,698	9,367	31,034		70,099
Employee Fringe Benefits	6,839	3,101	7,098		17,038
Contractual Services	48,156	66,771	196,000		310,927
Materials and Supplies	12,744	3,534	10,509		26,787
Other				2,130	2,130
<i>Total Operating Cash Disbursements</i>	<u>97,437</u>	<u>82,773</u>	<u>244,641</u>	<u>2,130</u>	<u>426,981</u>
<i>Operating Income</i>	<u>110,843</u>	<u>42,508</u>	<u>51,326</u>	<u>1,450</u>	<u>206,127</u>
Nonoperating Cash Receipts (Disbursements):					
Special Assessments		34,933			34,933
Capital Outlay	(11)	(26,275)	(4,737)		(31,023)
Principal Payments	(27,932)	(48,150)	(11,537)		(87,619)
Interest and Fiscal Charges	(74,451)	(16,248)			(90,699)
<i>Total Nonoperating Cash Receipts (Disbursements)</i>	<u>(102,394)</u>	<u>(55,740)</u>	<u>(16,274)</u>		<u>(174,408)</u>
<i>Changes in Net Cash Assets</i>	8,449	(13,232)	35,052	1,450	31,719
<i>Net Cash Assets at Beginning of Year</i>	165,645	338,686	249,573	5,093	758,997
<i>Net Cash Assets at End of Year</i>	<u>\$ 174,094</u>	<u>\$ 325,454</u>	<u>\$ 284,625</u>	<u>\$ 6,543</u>	<u>\$ 790,716</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Arcadia, Hancock County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The primary government consists of all funds, departments, committees and boards that are not legally separate from the Village. The Village provides general government services, water, electric and sewer utilities, maintenance of Village streets and bridges, park operations, and contracts with the Hancock County Sheriff's Department to supply the Village with police patrol. The Village contracts with Washington Township to provide fire protection services.

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, 2005, Arcadia has met their debt coverage obligation.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 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 \$10,210 at December 31, 2005. 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.

The Village participates in one public entity risk pool. This organization is the Ohio Municipal Joint Self-Insurance Pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Basis of Accounting

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. The following are the more significant of the Village's accounting policies.

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance, of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

C. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental, and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's only major governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water operating, sanitary sewer operating, and electric operating funds.

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

Sanitary Sewer Operating Fund - This fund receives charges for services from residents to cover sanitary sewer service costs.

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

D. Basis of Presentation

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

E. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds. The 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.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

F. Equity in Pooled Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Village invested in a nonnegotiable certificate of deposit which is valued at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$15,217 which includes \$11,620 assigned from other Village funds.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 2 – CHANGE IN BASIS OF ACCOUNTING

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 1. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

There are no adjustments to beginning fund balances since the basis of accounting has not changed. The Village's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities and the fund statements that provide a more detailed level of financial information.

NOTE 3 – COMPLIANCE

The Village did not properly certify certain Village disbursements as required by Ohio Law.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no encumbrances outstanding at year end.

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,085,142 of the Village's bank balance of \$1,185,142 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 – PROPERTY TAXES – (Continued)

The full tax rate for all Village operations for the year ended December 31, 2005, was \$ 2.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$6,212,520
Agriculture	223,340
Commercial/Industrial/Mineral	420,410
Public Utility Property	
Real	6,640
Personal	201,460
Tangible Personal Property	720,105
Total Assessed Value	\$7,784,475

NOTE 7 – 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, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Assets	\$2,241,661	\$2,309,178
Liabilities	<u>(3,457,720)</u>	<u>(3,343,299)</u>
Accumulated deficit	<u>(\$1,216,059)</u>	<u>(\$1,034,121)</u>

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$12,514, \$13,022, and \$12,073 respectively. The full amount has been contributed for 2005, 2004 and 2003.

NOTE 9 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 – POSTEMPLOYMENT BENEFITS – (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$5,242. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 10 - DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

Business-type Activities	Interest Rate	Balance December 31, 2004	Reductions	Balance December 31, 2005	Due Within One Year
Promissory Note	5%	\$60,000		\$60,000	\$60,000
Water Mortgage Revenue Bonds	4.5%	936,200	\$10,300	925,900	10,800
OWDA #2604	2%	406,371	39,276	367,095	40,061
OWDA #3213	6.13%	531,624	17,631	513,993	18,728
OWDA #1456	7.36%	116,002	8,875	107,127	9,527
Total		<u>\$2,050,197</u>	<u>\$76,082</u>	<u>\$1,974,115</u>	<u>\$139,116</u>

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 percent interest. The 2005, 2004, 2003, 2002, and 2001, required amount was not repaid and the accrued interest at the end of 2005 was \$17,573. 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 percent 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.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 – DEBT – (Continued)

The Ohio Water Development Authority (OWDA) loans #2604 (formerly #0215) and #1456 (formerly #0783) 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 (formerly #9048) relates to a waterline to the Red Hawk Run subdivision. The loan will be repaid in semiannual installments of \$24,977, including interest, 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.

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

Year ending December 31:	USDA - Water	OWDA #2604	OWDA #3213	OWDA #1456
2006	\$52,466	\$47,403	\$49,953	\$17,026
2007	52,380	47,403	49,953	17,060
2008	52,376	47,403	49,953	17,097
2009	52,449	47,403	49,953	17,137
2010	52,396	47,403	49,953	17,179
Subsequent	1,624,716	165,911	574,465	60,502
Total	<u>\$1,886,783</u>	<u>\$402,926</u>	<u>\$824,230</u>	<u>\$146,001</u>

NOTE 11 – JOINT VENTURES

The Village is a participant with forty-one other municipalities in the Ohio Municipal Electric Generation Agency Joint Venture 5- Belleville Project. The Village 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.

Amortization of the above debt follows:

Year ending December 31:	Principal	Interest	Refunding Debt Service	Total
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	5,005	5,020	1,504	11,529
Subsequent	99,683	40,839	21,078	161,600
Total	<u>\$123,592</u>	<u>\$67,122</u>	<u>\$28,607</u>	<u>\$219,321</u>

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 - 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, 2005.

<u>Fund Type</u>	<u>Electric Fund</u>
Operating Income	\$51,326
Net Income	35,052
Fund Balance 12/31/05	284,625

NOTE 13 – SUBSEQUENT EVENTS

The Village received a donation of \$58,095 on February 1, 2006, from a Revocable Trust. This 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Arcadia, Hancock County (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 5, 2006, in which we disclosed the Village prepares its financial statements on the modified cash basis of accounting. We also noted that 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.

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 findings as item 2005-001. 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.

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

Betty Montgomery
Auditor of State

September 5, 2006

VILLAGE OF ARCADIA
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

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 2005-001
(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 FINDING
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC § 5705.41(D)(1) requires expenditure to be prior certified.	No	Repeated as finding 2005-001.



**Auditor of State
Betty Montgomery**

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800-282-0370

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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**