



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF ARCADIA  
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2009.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2008.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings .....	21
Schedule of Prior Audit Findings .....	23

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Mary Taylor, CPA  
Auditor of State

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

To the Village Council:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

March 1, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Arcadia, Hancock County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The

Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Arcadia, Hancock County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 March 1, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

March 1, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$37,086	\$35,449		\$72,535
Intergovernmental	71,574	30,277	\$43,194	145,045
Special Assessments		3,333		3,333
Fines, Licenses and Permits	190			190
Earnings on Investments	2,894	103		2,997
Miscellaneous	3,527			3,527
Total Cash Receipts	<u>115,271</u>	<u>69,162</u>	<u>43,194</u>	<u>227,627</u>
<b>Cash Disbursements:</b>				
Current:				
Public Health Services	2,672			2,672
Leisure Time Activities	17,616			17,616
Community Environment	2,771			2,771
Transportation		44,776		44,776
General Government	82,707			82,707
Capital Outlay	2,333	22,454	43,194	67,981
Total Cash Disbursements	<u>108,099</u>	<u>67,230</u>	<u>43,194</u>	<u>218,523</u>
Total Receipts Over Disbursements	<u>7,172</u>	<u>1,932</u>		<u>9,104</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		8,000		8,000
Transfers-Out	(8,000)			(8,000)
Total Other Financing Receipts / (Disbursements)	<u>(8,000)</u>	<u>8,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(828)	9,932		9,104
Fund Cash Balances, January 1	<u>225,631</u>	<u>193,200</u>		<u>418,831</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$224,803</b></u>	<u><b>\$203,132</b></u>		<u><b>\$427,935</b></u>

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$870,639
<b>Operating Cash Disbursements:</b>	
Personal Services	90,475
Employee Fringe Benefits	14,971
Contractual Services	494,325
Supplies and Materials	37,468
Other	3,650
Total Operating Cash Disbursements	640,889
Operating Income	229,750
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	34,502
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	78,582
Redemption of Principal	94,048
Interest and Other Fiscal Charges	84,427
Total Non-Operating Cash Disbursements	257,057
Net Receipts Over Disbursements	7,195
Fund Cash Balances, January 1	854,721
<b>Fund Cash Balances, December 31</b>	<b>\$861,916</b>
Reserve for Encumbrances, December 31	\$47,030

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$37,736	\$14,171		\$51,907
Intergovernmental	84,923	31,240	\$86,501	202,664
Special Assessments		3,682	450	4,132
Charges for Services	640			640
Fines, Licenses and Permits	135			135
Earnings on Investments	16,994	1,506		18,500
Miscellaneous	1,264			1,264
Total Cash Receipts	<u>141,692</u>	<u>50,599</u>	<u>86,951</u>	<u>279,242</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	605			605
Public Health Services	2,853			2,853
Leisure Time Activities	106,547			106,547
Community Environment	9,606			9,606
Transportation		28,581		28,581
General Government	94,366			94,366
Capital Outlay	4,351	9,988	121,629	135,968
Total Cash Disbursements	<u>218,328</u>	<u>38,569</u>	<u>121,629</u>	<u>378,526</u>
Total Receipts Over/(Under) Disbursements	(76,636)	12,030	(34,678)	(99,284)
Fund Cash Balances, January 1	<u>302,267</u>	<u>181,170</u>	<u>34,678</u>	<u>518,115</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$225,631</u></b>	<b><u>\$193,200</u></b>		<b><u>\$418,831</u></b>

*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, 2008**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$875,028
<b>Operating Cash Disbursements:</b>	
Personal Services	79,376
Employee Fringe Benefits	13,393
Contractual Services	513,129
Supplies and Materials	44,617
Other	3,550
Total Operating Cash Disbursements	654,065
Operating Income	220,963
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	36,104
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	58,406
Redemption of Principal	90,394
Interest and Other Fiscal Charges	87,993
Total Non-Operating Cash Disbursements	236,793
Net Receipts Over Disbursements	20,274
Fund Cash Balances, January 1	834,447
<b>Fund Cash Balances, December 31</b>	<b>\$854,721</b>
Reserve for Encumbrances, December 31	\$50,626

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

The Village participates in one jointly governed organization and the Public Entities Pool of Ohio, a public entity risk pool. Notes 6, 7, and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

AMP-Ohio provides electric utilities to the Village.

Public Entity Risk Pool:

The Public Entities Pool of Ohio is available to public entities in Ohio and provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Deposits and Investments**

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

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

VILLAGE OF ARCADIA  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

1. **General Fund**

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

2. **Special Revenue Funds**

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

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

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

3. **Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Water Looping Project Fund – This fund received Issue 2 money in 2008 and the money was used to construct a water main.

Storm Sewer Replacement Fund – This fund received Issue 2 money in 2009 and the money was used to upgrade the storm sewer.

4. **Enterprise Funds**

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

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

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2009 and 2008 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 Deposits**

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**2. Equity in Pooled Deposits (Continued)**

	2009	2008
Demand deposits	\$1,236,851	\$1,220,552
Certificates of deposit	53,000	53,000
Total deposits	\$1,289,851	\$1,273,552

**Deposits:** 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 years ending December 31, 2009 and 2008 follows:

**2009 Budgeted vs. Actual Receipts**

	Budgeted Receipts	Actual Receipts	Variance
General	\$84,887	\$115,271	\$30,384
Special Revenue	77,323	77,162	(161)
Capital Projects	54,300	43,194	(11,106)
Enterprise	765,706	905,141	139,435
Total	\$982,216	\$1,140,768	\$158,552

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$308,241	\$116,099	\$192,142
Special Revenue	269,297	67,230	202,067
Capital Projects	54,300	43,194	11,106
Enterprise	1,671,053	944,976	726,077
Total	\$2,302,891	\$1,171,499	\$1,131,392

**2008 Budgeted vs. Actual Receipts**

	Budgeted Receipts	Actual Receipts	Variance
General	\$176,895	\$141,692	(\$35,203)
Special Revenue	46,487	50,599	4,112
Capital Projects	106,000	86,951	(19,049)
Enterprise	814,844	911,132	96,288
Total	\$1,144,226	\$1,190,374	\$46,148

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$394,017	\$218,328	\$175,689
Special Revenue	227,563	38,569	188,994
Capital Projects	140,678	121,629	19,049
Enterprise	1,648,923	941,484	707,439
Total	\$2,411,181	\$1,320,010	\$1,091,171

**4. Property Tax**

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

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

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

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

**5. Debt**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #2604	\$201,978	2.00%
Ohio Water Development Authority Loan #1456	64,602	7.36%
Ohio Water Development Authority Loan #3213	431,790	6.13%
Water System Mortgage Revenue Bonds	879,900	4.50%
Water Construction Fund Note	60,000	5.00%
Total	\$1,638,270	

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

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**5. Debt (Continued)**

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

The Sewer Debt Service Fund loaned the Water Construction Fund \$60,000 in 2000 to pay part of the cost of the waterline and water tank project. A note was signed promising payment of 5% interest. No payments have been made on this loan and the accrued interest at the end of 2009 is \$29,573. The note did not specify the source of the money to be used to repay the Sewer Debt Service Fund.

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

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

Year ending December 31:	OWDA Loan #2604	OWDA Loan #1456	OWDA Loan #3213	Mortgage Revenue Bonds
2010	\$47,403	\$17,179	\$49,953	\$52,396
2011	47,403	17,225	49,953	52,420
2012	47,403	17,274	49,953	52,416
2013	47,403	17,326	49,953	52,386
2014	23,702	8,677	49,953	52,430
2015-2019			249,768	262,086
2020-2024			124,884	261,975
2025-2029				262,087
2030-2034				262,083
2035-2039				262,059
2040-2041				104,773
Total	<u>\$213,314</u>	<u>\$77,681</u>	<u>\$624,417</u>	<u>\$1,677,111</u>

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. Risk Management**

**Risk Pool Membership**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. Risk Management (Continued)**

claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$6,000.

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

<b>Contributions to PEP</b>	
2009	\$5,934

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

**8. Ohio Municipal Electric Generation Agency Venture (OMEGA JV5)**

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

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, 2009 and 2008. Arcadia has met their debt coverage obligation.

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. Ohio Municipal Electric Generation Agency Venture (OMEGA JV5) (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 \$9,855 at December 31, 2008, (the latest information available). Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**9. AMP-OHIO**

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

AMP-Ohio is governed by a Board of Trustees consisting of sixteen members. Each member designates its own representative to the Board of Trustees. Eight of the trustee members are selected by their fellow AMP-Ohio members in each of the services groups. The other eight Board members are elected at large. The main source of revenues is from the sale of electric power. The Village remitted \$373,742 and \$359,947 for 2009 and 2008 respectively to the AMP-Ohio for the purchase of electric power.

**10. SEGMENT INFORMATION FOR ENTERPRISE FUND**

Included in the services provided by the Village financed primarily by user charges are water treatment and distribution, wastewater collection and treatment, electric utility services, sewer debt, and utility deposits. The key financial information for the electric utility services for the years ended December 31, 2009 and 2008:

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**10. Segment Information For Enterprise Fund (Continued)**

	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
As of December 31, 2009:			
Operating Cash Receipts	533,958	336,681	870,639
Non-operating Cash Receipts		34,502	34,502
Debt Service	(11,532)	(166,943)	(178,475)
Capital Outlay	(63,332)	(15,250)	(78,582)
Operating Cash Disbursements	(438,780)	(202,109)	(640,889)
Fund Cash Balance at 12/31/09	318,743	543,173	861,916
Operating Income	95,178	134,572	229,750
Net Receipts over/(under) Disbursements	20,314	(13,119)	7,195

	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
As of December 31, 2008:			
Operating Cash Receipts	542,131	332,897	875,028
Non-operating Cash Receipts		36,104	36,104
Debt Service	(11,558)	(166,829)	(178,387)
Capital Outlay	(24,955)	(33,451)	(58,406)
Operating Cash Disbursements	(462,717)	(191,348)	(654,065)
Fund Cash Balance at 12/31/08	298,430	556,291	854,721
Operating Income	79,414	141,549	220,963
Net Receipts over/(under) Disbursements	42,901	(22,627)	20,274

**11. Contingent Liabilities**

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



**Mary Taylor, CPA**  
Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Arcadia, Hancock County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 1, 2010, 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. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We did note certain matters not requiring inclusion in this report that we have reported to the Village's management in a separate letter dated March 1, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

March 1, 2010

**VILLAGE OF ARCADIA  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Material Weakness and Noncompliance Citation**

**Ohio Revised Code § 5705.41(D)(1)** states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. 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 requirement 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, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3) of the Ohio Revised Code.

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

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

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by a resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty-three percent of the transactions tested were not certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Council followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village had \$46,783 and \$50,626 in outstanding purchase commitments as of December 31, 2009 and 2008, respectively, which were not certified at year end. The accompanying budgetary presentations and financial statements have been adjusted to reflect these amounts as an outstanding encumbrance at year end in the Enterprise Fund.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure 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 Council.

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

#### **FINDING NUMBER 2009-002**

##### **Material Weakness - Monitoring Village Financial Activity**

The small size of the Village's staff does not allow for an adequate segregation of duties; the Fiscal Officer must perform all accounting functions. It is therefore important Village Council (or other committee) monitor financial activity closely. Errors were noted in the posting of revenues and expenditures to the financial statements that required twenty audit reclassifications and adjustments to the accompanying financial statements ranging in amounts of \$403 to \$102,403 including:

- In 2009 and 2008, the principal and interest paid toward the Village's debt was reported in other expense line items.
- The Village received a grant for the park restrooms and recorded this grant activity to charges for services and miscellaneous revenue instead of intergovernmental revenue.
- In 2009, the Village received permissive tax money from Hancock County and recorded this funding into the Street Construction, Maintenance and Repair Fund instead of establishing a Permissive Tax Fund.
- In 2009, permissive tax revenues were posted to special assessment revenue instead of local tax revenue.
- In 2009 and 2008, public utility and fixed rate loss revenues were posted to property tax revenues instead of intergovernmental revenues.
- In 2008, one Issue 2 grant payment received and spent on behalf of the Village was not recorded on the Village's books.

In addition to the posting errors noted above 19 out of 40 invoices tested were paid prior to receiving the "okay to pay" from the Village Administrator or Assistant Village Administrator.

To ensure the financial position of the funds presented to Village Council are complete and accurate we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State. Further, Council should adopt procedures where it (or other committees) reviews the financial statements for accuracy and invoices should not be paid until the Village Administrator approves payment.

##### **Clients Response:**

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

VILLAGE OF ARCADIA  
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	ORC § 5705.41(D)(1) requires expenditures to be certified.	No	Repeated as Finding 2009-001 in this report.





Mary Taylor, CPA  
Auditor of State

VILLAGE OF ARCADIA

HANCOCK COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 25, 2010