



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ARCADIA
HANCOCK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Arcadia (the Village) as of and for the year ended December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, Village Council, federal awarding agencies and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 17, 2002

**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, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$21,799	\$47,473		\$69,272
Intergovernmental Receipts	55,910	19,461	\$121,315	196,686
Fines, Licenses, and Permits	75			75
Earnings on Investments	29,002	2,343		31,345
Miscellaneous	4,743			4,743
Total Cash Receipts	<u>111,529</u>	<u>69,277</u>	<u>121,315</u>	<u>302,121</u>
Cash Disbursements:				
Current:				
Public Health Services	1,630			1,630
Leisure Time Activities	1,946			1,946
Basic Utility Services		4,329		4,329
Transportation	1,830	49,222		51,052
General Government	67,467			67,467
Capital Outlay	20,432	71,240	121,315	212,987
Total Cash Disbursements	<u>93,305</u>	<u>124,791</u>	<u>121,315</u>	<u>339,411</u>
Total Receipts Over/(Under) Disbursements	18,224	(55,514)		(37,290)
Fund Cash Balances, January 1	<u>179,849</u>	<u>92,225</u>		<u>272,074</u>
Fund Cash Balances, December 31	<u><u>\$198,073</u></u>	<u><u>\$36,711</u></u>		<u><u>\$234,784</u></u>

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

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$546,576
Miscellaneous	1,173
	<u>547,749</u>
Total Operating Cash Receipts	<u>547,749</u>
Operating Cash Disbursements:	
Personal Services	93,024
Contractual Services	214,160
Supplies and Materials	31,962
Capital Outlay	204,749
	<u>204,749</u>
Total Operating Cash Disbursements	<u>543,895</u>
Operating Income	<u>3,854</u>
Non-Operating Cash Receipts:	
Special Assessments	38,722
Intergovernmental Receipts	299,551
Proceeds from Notes and Bonds	984,134
Other Non-Operating Receipts	88,487
	<u>88,487</u>
Total Non-Operating Cash Receipts	<u>1,410,894</u>
Non-Operating Cash Disbursements:	
Debt Service	1,249,366
Other Non-Operating Cash Disbursements	822
	<u>822</u>
Total Non-Operating Cash Disbursements	<u>1,250,188</u>
Net Receipts Over Disbursements	164,560
Fund Cash Balances, January 1	<u>500,007</u>
Fund Cash Balances, December 31	<u>\$664,567</u>

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, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Arcadia (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 publicly-elected six-member Council. The Village provides general governmental services including water, sewer, and electric utilities, and park operations. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village contracts with the Washington Township to provide fire protection services.

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 follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

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 disbursements, respectively.

Certificates of deposit are valued 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:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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

Permissive Tax Fund - This fund receives license fees to improve Village streets.

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Fund - This fund receives proceeds from the state for construction of Village streets.

4. Enterprise Funds

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

Water Capital Improvement Fund - This fund receives federal grant and loan proceeds and from the United States Department of Agriculture-Rural Development to finance a water project to bring water to the Village from the City of Fostoria.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2001 budgetary activity appears in Note 3.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001
Demand deposits	\$681,351
Certificates of deposit	218,000
Total deposits and investments	\$899,351

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,436	\$111,529	\$26,093
Special Revenue	44,468	69,277	24,809
Capital Projects		121,315	121,315
Enterprise	1,904,559	1,958,643	54,084
Total	\$2,034,463	\$2,260,764	\$226,301

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$242,468	\$93,305	\$149,163
Special Revenue	153,312	124,791	28,521
Capital Projects		121,315	(121,315)
Enterprise	2,370,742	1,794,083	576,659
Total	\$2,766,522	\$2,133,494	\$633,028

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. COMPLIANCE

At November 30, 2001 there were eleven instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$9 to \$1,375,551. In addition, the following funds had expenditures exceeding appropriations at year end:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Issue II		\$121,315	\$(121,315)
Red Hawk Run	\$30,737	38,134	(7,397)

5. PROPERTY TAX

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

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

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

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 0215	\$501,316	2.00%
Ohio Water Development Authority Loan 0783	135,679	7.36%
Ohio Water Development Authority Loan 9048	571,313	6.13%
Water System Mortgage Revenue Bonds	946,000	4.50%
Promissory Note (Water Construction Fund)	60,000	5.00%
Total	<u>\$2,214,308</u>	

The Ohio Water Development Authority (OWDA) loans #0215 and 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 of \$32,408, including interest, 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, 2001
(Continued)**

The OWDA loan #9048 relates to a waterline to the Red Hawk Run subdivision. The OWDA has approved up to \$613,305 in loans to the Village for this project. As of December 31, 2001, the Village has received \$511,670 plus accumulated interest cost of \$59,643. No amortization schedule is provided for this loan. The annual debt service requirements will be determined when the project is complete.

The Sewer Debt Service Fund loaned the Water Construction Fund \$60,000 in 2000 to pay part of the cost of the waterline and water tank project. A note was signed promising payment of 5% interest. The 2001 required amount was not repaid and is included on the 2002 payment on the amortization schedule. 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 a 4.5% interest rate and is scheduled to be paid in full in 2041.

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

Year ending December 31:	OWDA Loan #0215	OWDA Loan #0783	Mortgage Revenue Bonds	Promissory Note
2002	\$47,403	\$17,412	\$39,259	\$13,366
2003	47,403	17,412	42,570	7,638
2004	47,403	17,412	52,370	7,638
2005	47,403	17,412	52,429	7,638
2006	47,403	17,412	52,466	7,638
2007 – 2011	237,016	87,060	262,019	32,461
2012 – 2016	94,808	34,824	262,094	
2017 – 2021			262,044	
2022 – 2026			261,963	
2027 – 2031			262,099	
2032 – 2036			262,022	
2037 – 2041			262,073	
Total	\$568,839	\$208,944	\$2,073,408	\$76,379

7. RETIREMENT SYSTEMS

Officials and Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), and unincorporated non-profit association with over 600 governmental entity members providing formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine and EDP. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Village also provides health and life insurance.

9. JOINT VENTURE

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

	<u>Participant Principal</u>	<u>Participant Interest</u>	<u>Participant Debt Service</u>
Year ending December 31:			
2002	\$3,608	\$8,394	\$12,002
2003	3,790	8,214	12,004
2004	3,982	8,025	12,007
2005	4,180	7,822	12,002
2006	4,400	7,602	12,002
2007 – 2011	25,846	34,173	60,019
2012 – 2016	33,645	26,371	60,016
2017 – 2021	43,962	16,060	60,022
2022 – 2026	32,462	3,550	36,012
Total	<u>\$155,875</u>	<u>\$120,211</u>	<u>\$276,086</u>

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

VILLAGE OF ARCADIA
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

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

10. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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VILLAGE OF ARCADIA
HANCOCK COUNTY

SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Direct Program:</i>		
Water and Waste Disposal Systems for Rural Communities	10.760	\$1,184,551
Total Federal Award Expenditures		<u>\$1,184,551</u>

The notes to the schedule of federal award expenditures are an integral part of this statement.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - DEBT PROCEEDS

The expenditures on the accompanying schedule were to pay off interim financing for the Village's water system installation project. This payment was financed with grant money and a USDA loan of \$946,000.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statements of the Village of Arcadia (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated June 17, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30232-001 through 2001-30232-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 17, 2002.

Village of Arcadia
Hancock County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, Village Council and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

June 17, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Arcadia (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Village Council and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 17, 2002

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities - CFDA # 10.760
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-30232-001

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose.

The former Village Clerk/Treasurer paid an invoice to Poggemeyer Engineering for project #1500003 twice resulting in an overpayment of \$17,512.64.

**FINDING NUMBER 2001-30232-001
(Continued)**

Ohio Revised Code § 117.28 states that when an audit report sets forth that any public money has been illegally expended, the Village's legal counsel may institute civil action to recover the money illegally expended.

Based on the forgoing facts a finding for recovery is hereby returned against former Clerk, Ruth Ann Nalle, the Ohio Government Risk Management Plan, her surety and Poggemeyer Engineering in the amount of \$17,512.64, in favor of the treasury of the Village of Arcadia.

The Village currently has amounts due Poggemeyer Engineering for this project and other Village projects. The Village Administrator is working with official from Poggemeyer Engineering to determine the exact amount due.

FINDING NUMBER 2001-30232-002

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) prohibits a subdivision from making any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

At November 30, 2001 there were eleven instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$9 to \$1,375,551. In addition, the following funds had expenditures exceeding appropriations at year end:

Fund	Appropriations	Expenditures	Variance
Issue II		\$121,315	\$(121,315)
Red Hawk Run	\$30,737	38,134	(7,397)

The Clerk should not issue checks for expenditures that would exceed appropriations. The Clerk should inform the Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

FINDING NUMBER 2001-30232-003

Noncompliance Citation

Ohio Revised Code § 5705.42 states when the United States government or the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of the state to aid in paying the cost of any program, activity or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purposes by the taxing authority of such subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in the process of collection within the meaning of § 5705.41, of the Ohio Revised Code.

FINDING NUMBER 2001-30232-003
(Continued)

The Village was the beneficiary of an Issue II Grant in which \$121,315 was sent directly to the vendor by Ohio Public Works Commission. This activity was not recorded on the ledgers of the Village. The accompanying financial statements have been adjusted to reflect the amount in the Capital Project Fund.

We recommend the Village record all benefits received from State and Federal Grants as a memo receipt and expenditure on the Village's records, request an amended certificate of estimated resources for these funds and the Council approve a corresponding appropriation for the expenditure. For additional guidance, the Village should review AOS Bulletin 2000-08 and 2002-04.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**VILLAGE OF ARCADIA
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30232-001	ORC § 5705.41(D) certification of funds	No	Improvement has been made reducing this to a management letter comment.
2000-30232-002	ORC § 5705.39 appropriations ex- ceeding total esti- mated resources	Yes	This finding has been corrected.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JULY 5, 2002**