

Village of Arcanum
Darke County, Ohio

Regular Audit

January 1, 2008 through December 31, 2008

Year Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Village Council
Village of Arcanum
104 West South St.
Arcanum, Ohio 45304

We have reviewed the *Independent Auditor's Report* of the Village of Arcanum, Darke County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Arcanum is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 20, 2010

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**VILLAGE OF ARCANUM
DARKE COUNTY**

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Independent Auditor's Report

Village Council
Village of Arcanum
104 West South St.
Arcanum, Ohio 45304

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 Arcanum, Darke County, Ohio (the Village) as of and for the year ended December 31, 2008, 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. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, business type-activities, each major fund and the aggregate remaining fund information of the Village of Arcanum, Darke County, Ohio, as of December 31, 2008 and the respective changes in the cash financial position and the budgetary comparison for the General Fund and Street Fund, for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2008, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

As more fully described in Note 12, the Village restated their beginning Governmental fund balance and Enterprise fund balance due to a fund reclassification.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 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 this 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.

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Village of Arcanum
Darke County
Independent Auditor's Report
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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government 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.



Balestra, Harr & Scherer, CPAs, Inc.

June 11, 2010

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

This discussion and analysis of the Village's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2008, within the limitations of the Village's cash basis of 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 2008 are as follows:

Net assets of governmental activities decreased \$35,601 or 2 percent.

Net assets of business-type activities increased \$438,433 or 21 percent from the prior year due to cash receipts, transfers, and advances in excess of cash disbursements.

The Village's general receipts are comprised substantially of property and local income taxes. These receipts represent 38 percent of the total cash received for governmental activities during the year. The Village also received funds under a lease purchase agreement for \$100,000 and interest receipts of \$118,126.

For 2008, total governmental funds had cash receipts and other financing receipts of \$1,153,061 and cash disbursements and other financing disbursements of \$1,188,662. The greatest change within governmental funds occurred within the General Fund.

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 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 the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 cash basis of accounting.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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 recipients 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 governmental 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 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 Activities

State and federal grants, local income taxes and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activities

The Village has three main business-type activities: water, sewer and electric operations. Business-type activities are financed by a fee charged to the customers receiving the services.

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 split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in 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 significant governmental funds are presented on the financial statements in separate columns. 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. The Village's major governmental funds are the General Fund and the Street Fund.

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, Sewer, and Electric Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's only fiduciary fund is an agency fund, which is used to account for unclaimed monies.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2008. Fiscal year 2008 is the first year for the Village to present its financial report using the GASB 34 format; therefore, comparisons to 2007 are not presented. Comparisons to prior years will be presented in future years as information becomes available.

(Table 1)
Net Assets
Governmental Activities

	2008
Assets	
Current Assets	\$ 1,753,380
Total Assets	\$ 1,753,380
Net Assets	
Restricted for:	
Capital Projects	\$ 59,936
Debt Service	453
State Highway	195,170
Street Repair	348,350
Other Purposes	330,211
Unrestricted	819,260
Total Net Assets	\$ 1,753,380

Business-type Activities

	2008
Assets	
Current Assets	\$ 2,508,552
Total Assets	\$ 2,508,552
Net Assets	
Unrestricted	\$ 2,508,552
Total Net Assets	\$ 2,508,552

For 2008, total governmental activities net assets decreased \$68,363 due to cash disbursements and transfers to business-type activity funds in excess of cash receipts. Total business-type net assets increased \$471,195 due to cash receipts and transfers from governmental funds in excess of cash disbursements.

Table 2 provides a summary of the Village's changes in net assets for 2008. As discussed previously, fiscal year 2008 is the first year for the Village to present its financial report using the GASB 34 format; therefore, comparisons to 2007 are not presented. Comparisons to prior years will be presented in future years as information becomes available.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

(Table 2)
Changes in Net Assets
Governmental Activities

	2008
Cash Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 85,039
Operating Grants and Contributions	244,424
Total Program Receipts	329,463
General Receipts:	
Property Taxes	116,144
Municipal Income Taxes	276,543
Grants and Entitlements Not Restricted to Specific Programs	51,420
Proceeds from Insurance	24,257
Proceeds from Lease Purchase Agreement	100,000
Interest	118,126
Miscellaneous	19,147
Total General Receipts	705,637
Total Receipts	1,035,100
Cash Disbursements:	
Security of Persons and Property	347,328
Public Health Services	11,384
Leisure Time Activities	34,965
Community Environment	91,654
Transportation	100,354
General Government	169,218
Capital Outlay	180,290
Debt Service:	
Principal	42,702
Interest	1,167
Total Disbursements	979,062
Deficiency of Receipts Under Disbursements	56,038
Transfers and Advances:	
Transfers Out	(32,039)
Advances Out	(59,600)
Decrease in Net Assets	(35,601)
Net Assets, January 1	1,788,981
Net Assets, December 31	\$ 1,753,380

Net assets of governmental activities decreased \$68,363 or 4 percent during 2008.

Program cash receipts represented \$356,553 or 34 percent of total cash receipts for 2008 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, and charges for services.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

General receipts represented \$705,637 or 68 percent of the Village's total cash receipts for 2008. For 2008, 11 percent of general cash receipts are property taxes and 27 percent are local income tax. Proceeds from insurance, proceeds from a lease purchase agreement, and interest make up 2 percent, 10 percent and 11 percent, respectively of the Village's general cash receipts. 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, the Village Fiscal Officer and income tax departments, as well as internal services such as payroll and purchasing.

Security of persons and property are the costs of police law enforcement salaries and benefits, police and fire protection; leisure time activities are the costs of maintaining the park and the swimming pool; transportation is the cost of maintaining the roads; and capital outlay represents the costs of the lease purchase of a fire truck, construction of the sanitary and storm sewer separation project, and various smaller projects.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

(Table 3)
Changes in Net Assets
Business-Type Activities

	2008
Cash Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 2,900,706
Capital Grants and Contributions	27,090
Total Program Receipts	2,927,796
General Receipts:	
Other Operating Cash Receipts	118,047
Other Non-operating Cash Receipts	20,369
Proceeds from Loan	24,362
Total General Receipts	162,778
Total Receipts	3,090,574
Cash Disbursements:	
Water	270,391
Sewer	477,355
Electric	1,799,056
Other Enterprise	196,978
Total Disbursements	2,743,780
Excess of Receipts Over Disbursements	346,794
Transfers and Advances:	
Transfers In	32,039
Advances In	59,600
Increase in Net Assets	438,433
Net Assets, January 1	2,070,119
Net Assets, December 31	\$ 2,508,552

Net assets of business-type activities increased \$438,433 or 21 percent during 2008 primarily due to cash receipts, transfers, and advances in excess of cash disbursements.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 12 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. For 2008, the major program disbursements for governmental activities are for security of persons and property and capital outlay which account for 35 and 18 percent of all governmental disbursements, respectively. 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 4.

(Table 4)

	Total Cost Of Services 2008	Net Cost of Services 2008
	<u>2008</u>	<u>2008</u>
Security of Persons and Property	\$ 347,328	\$ 238,748
Public Health Services	11,384	8,574
Leisure Time Activities	34,965	17,010
Community Environment	91,654	69,583
Transportation	100,354	45,732
General Government	169,218	128,469
Capital Outlay	180,290	97,614
Debt Service:		
Principal	42,702	42,702
Interest	1,167	1,167
Total Cash Disbursements	<u>\$ 979,062</u>	<u>\$ 649,599</u>

The dependence upon property and income tax receipts, interest and debt proceeds is apparent as 72 percent of governmental activities were supported through general cash receipts for 2008.

Business-type Activities

The net cost of business-type activities is as follows:

(Table 5)

	Total Cost Of Services 2008	Net Cost of Services 2008
	<u>2008</u>	<u>2008</u>
Water	\$ 270,391	\$ 65,224
Sewer	477,355	(139,494)
Electric	1,799,056	(103,622)
Other Proprietary	196,978	(6,124)
Total Cash Disbursements	<u>\$ 2,743,780</u>	<u>\$ (184,016)</u>

**Village of Arcanum
Darke County, Ohio**
*Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited*

Program cash receipts provided for 107 percent of the cost of business-type activities in 2008.

The Village's Funds

The fund most affected by the decrease in cash and cash equivalents was the General Fund primarily due to transfers to the Street and Water Funds.

The General Fund balance decreased by \$46,951. The Street Fund balance increased \$27,830. The Water Fund balance increased \$53,623. The Sewer Fund balance increased \$225,591. The Electric Fund balance increased \$123,091.

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 2008, the Village did not amend its General Fund budget. Final budgeted cash receipts and other financing sources were the same as original budgeted cash receipts and other financing sources. Actual receipts and other financing sources were \$104,277 higher than final budgeted receipts primarily due to municipal income taxes and intergovernmental receipts being higher than anticipated.

Final budgeted cash disbursements and other financing uses were \$74,600 higher than original budgeted cash disbursements and other financing uses. Actual budget basis cash disbursements and other financing uses were \$243,504 lower than final budgeted cash disbursements and other financing uses primarily due to general government disbursements being less than anticipated.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure and they are not reported in the basic financial statements. Capital outlay is recorded as disbursements in the accompanying financial statements and amounted to \$180,290 and \$163,524 in the governmental funds and proprietary funds, respectively.

Debt

At December 31, 2008 the Village's outstanding debt included \$4,380,041 in notes and loans issued for improvements to buildings, equipment and infrastructure. In accordance with the cash basis of accounting, this debt is not reported in the basic financial statements. See note 6 to the basic financial statements for more information regarding the Village's debt.

Current Issues

The challenge for the Village 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.

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 Carolyn Robinson, Fiscal Officer, Village of Arcanum, 104 West South Street, Arcanum, Ohio 45304.

Village of Arcanum
Darke County, Ohio
Statement of Net Assets - Cash Basis
As of December 31, 2008

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,753,380	\$ 2,508,552	\$ 4,261,932
<i>Total Assets</i>	<u>\$ 1,753,380</u>	<u>\$ 2,508,552</u>	<u>\$ 4,261,932</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 59,936	\$ -	\$ 59,936
Debt Service	453	-	453
State Highway	195,170	-	195,170
Street Repair	348,350	-	348,350
Other Purposes	330,211	-	330,211
Unrestricted	<u>819,260</u>	<u>2,508,552</u>	<u>3,327,812</u>
<i>Total Net Assets</i>	<u>\$ 1,753,380</u>	<u>\$ 2,508,552</u>	<u>\$ 4,261,932</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	\$ 347,328	\$ 19,889	\$ 88,691	\$ -	\$ (238,748)	\$ -	\$ (238,748)
Public Health Services	11,384	107	2,703	-	(8,574)	-	(8,574)
Leisure Time Activities	34,965	7,065	10,890	-	(17,010)	-	(17,010)
Community Environment	91,654	460	21,611	-	(69,583)	-	(69,583)
Transportation	100,354	22,510	32,112	-	(45,732)	-	(45,732)
General Government	169,218	849	39,900	-	(128,469)	-	(128,469)
Capital Outlay	180,290	34,159	48,517	-	(97,614)	-	(97,614)
Debt Service:							
Principal	42,702	-	-	-	(42,702)	-	(42,702)
Interest	1,167	-	-	-	(1,167)	-	(1,167)
<i>Total Governmental Activities</i>	<u>979,062</u>	<u>85,039</u>	<u>244,424</u>	<u>-</u>	<u>(649,599)</u>	<u>-</u>	<u>(649,599)</u>
Business Type Activities							
Water	270,391	205,167	-	-	-	(65,224)	(65,224)
Sewer	477,355	589,759	-	27,090	-	139,494	139,494
Electric	1,799,056	1,902,678	-	-	-	103,622	103,622
Other Enterprise	196,978	203,102	-	-	-	6,124	6,124
<i>Total Business Type Activities</i>	<u>2,743,780</u>	<u>2,900,706</u>	<u>-</u>	<u>27,090</u>	<u>-</u>	<u>184,016</u>	<u>184,016</u>
Total Primary Government	<u>\$ 3,722,842</u>	<u>\$ 2,985,745</u>	<u>\$ 244,424</u>	<u>\$ 27,090</u>	<u>(649,599)</u>	<u>184,016</u>	<u>(465,583)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					67,130	-	67,130
Garbage Levy					9,071	-	9,071
Police Pension					9,391	-	9,391
Fire Equipment Levy					30,552	-	30,552
Municipal Income Taxes					276,543	-	276,543
Grants and Entitlements not Restricted to Specific Programs					51,420	-	51,420
Other Operating Cash Receipts					-	118,047	118,047
Other Non-Operating Cash Receipts					-	20,369	20,369
Proceeds from Insurance					24,257	-	24,257
Proceeds from Loan					-	24,362	24,362
Proceeds from Lease Purchase Agreement					100,000	-	100,000
Interest					118,126	-	118,126
Miscellaneous					19,147	-	19,147
Transfers					(32,039)	32,039	-
Advances					(59,600)	59,600	-
<i>Total General Receipts, Transfers and Advances</i>					<u>613,998</u>	<u>254,417</u>	<u>868,415</u>
Change in Net Assets					(35,601)	438,433	402,832
<i>Net Assets Beginning of Year</i>					<u>1,788,981</u>	<u>2,070,119</u>	<u>3,859,100</u>
<i>Net Assets End of Year</i>					<u>\$ 1,753,380</u>	<u>\$ 2,508,552</u>	<u>\$ 4,261,932</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
As of December 31, 2008

	<u>General</u>	<u>Street</u>	<u>All Other Governmental</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 819,260	\$ 348,350	\$ 585,770	\$ 1,753,380
<i>Total Assets</i>	<u>\$ 819,260</u>	<u>\$ 348,350</u>	<u>\$ 585,770</u>	<u>\$ 1,753,380</u>
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	\$ 819,260	\$ -	\$ -	\$ 819,260
Special Revenue Funds	-	348,350	525,381	873,731
Debt Service Fund	-	-	453	453
Capital Projects Funds	-	-	59,936	59,936
<i>Total Fund Balances</i>	<u>\$ 819,260</u>	<u>\$ 348,350</u>	<u>\$ 585,770</u>	<u>\$ 1,753,380</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum
Darke County, Ohio**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008*

	General	Street	All Other Governmental	Total Governmental Funds
Cash Receipts:				
Property Taxes	\$ 67,130	\$ -	\$ 49,014	\$ 116,144
Municipal Income Taxes	276,543	-	-	276,543
Intergovernmental	178,916	95,407	21,521	295,844
Charges for Services	1,215	-	81,178	82,393
Fines, Licenses and Permits	1,498	-	1,148	2,646
Earnings on Investments	81,400	16,280	20,446	118,126
Miscellaneous	15,762	26	3,359	19,147
<i>Total Cash Receipts</i>	<u>622,464</u>	<u>111,713</u>	<u>176,666</u>	<u>910,843</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	264,325	-	83,003	347,328
Public Health Services	11,160	-	224	11,384
Leisure Time Activities	3,742	-	31,223	34,965
Community Environment	91,654	-	-	91,654
Transportation	613	98,289	1,452	100,354
General Government	169,218	-	-	169,218
Capital Outlay	-	35,594	144,696	180,290
Debt Service:				
Principal Retirement	11,321	-	31,381	42,702
Interest and Fiscal Charges	-	-	1,167	1,167
<i>Total Cash Disbursements</i>	<u>552,033</u>	<u>133,883</u>	<u>293,146</u>	<u>979,062</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>70,431</u>	<u>(22,170)</u>	<u>(116,480)</u>	<u>(68,219)</u>
Other Financing Sources (Uses):				
Transfers In	67,961	50,000	-	117,961
Transfers Out	(150,000)	-	-	(150,000)
Advances Out	(59,600)	-	-	(59,600)
Proceeds from Insurance	24,257	-	-	24,257
Proceeds from Lease Purchase Agreement	-	-	100,000	100,000
<i>Total Other Financing Sources (Uses)</i>	<u>(117,382)</u>	<u>50,000</u>	<u>100,000</u>	<u>32,618</u>
<i>Net Change in Fund Balances</i>	(46,951)	27,830	(16,480)	(35,601)
<i>Fund Balances Beginning of Year - As Restated</i>	<u>866,211</u>	<u>320,520</u>	<u>602,250</u>	<u>1,788,981</u>
<i>Fund Balances End of Year</i>	<u>\$ 819,260</u>	<u>\$ 348,350</u>	<u>\$ 585,770</u>	<u>\$ 1,753,380</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended December 31, 2008

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$ 75,840	\$ 75,840	\$ 67,130	\$ (8,710)
Municipal Income Taxes	255,000	255,000	276,543	21,543
Intergovernmental	127,600	127,600	178,916	51,316
Charges for Services	1,285	1,285	1,215	(70)
Fines, Licenses and Permits	680	680	1,498	818
Earnings on Investments	70,000	70,000	81,400	11,400
Miscellaneous	20,000	20,000	15,762	(4,238)
Total Receipts	550,405	550,405	622,464	72,059
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	299,250	299,250	264,325	34,925
Public Health Services	11,200	11,200	11,160	40
Leisure Time Activities	15,030	15,030	3,742	11,288
Community Environment	113,335	113,335	91,654	21,681
General Government	329,400	329,400	169,831	159,569
Capital Outlay	16,000	16,000	-	16,000
Debt Service:				
Principal Retirement	11,322	11,322	11,321	1
Total Disbursements	795,537	795,537	552,033	243,504
Excess of Receipts Over (Under) Disbursements	(245,132)	(245,132)	70,431	315,563
<u>Other Financing Sources and Uses:</u>				
Transfers In	60,000	60,000	67,961	7,961
Proceeds from Insurance	-	-	24,257	24,257
Advances Out	-	(59,600)	(59,600)	-
Transfers Out	(135,000)	(150,000)	(150,000)	-
Total Other Financing Sources and Uses	(75,000)	(149,600)	(117,382)	32,218
Net Change in Fund Balance	(320,132)	(394,732)	(46,951)	347,781
Fund Balance Beginning of Year	866,211	866,211	866,211	-
Fund Balance End of Year	\$ 546,079	\$ 471,479	\$ 819,260	\$ 347,781

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended December 31, 2008

	Street Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$ 91,000	\$ 91,000	\$ 95,407	\$ 4,407
Earnings on Investments	15,000	15,000	16,280	1,280
Miscellaneous	350	350	26	(324)
Total Receipts	106,350	106,350	111,713	5,363
<u>Disbursements:</u>				
Transportation	110,750	110,750	98,289	12,461
Capital Outlay	96,000	96,000	35,594	60,406
Total Disbursements	206,750	206,750	133,883	72,867
Excess of Receipts Over (Under) Disbursements	(100,400)	(100,400)	(22,170)	78,230
Other Financing Sources and Uses:				
Transfers In	50,000	50,000	50,000	-
Total Other Financing Sources and Uses	50,000	50,000	50,000	-
Net Change in Fund Balance	(50,400)	(50,400)	27,830	78,230
Fund Balance Beginning of Year	320,520	320,520	320,520	-
Fund Balance End of Year	<u>\$ 270,120</u>	<u>\$ 270,120</u>	<u>\$ 348,350</u>	<u>\$ 78,230</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
As of December 31, 2008

	Business-Type Activities - Enterprise				Total Enterprise Funds
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 86,630	\$ 1,125,929	\$ 1,081,634	\$ 214,359	\$ 2,508,552
<i>Total Assets</i>	<u>86,630</u>	<u>1,125,929</u>	<u>1,081,634</u>	<u>214,359</u>	<u>2,508,552</u>
Fund Net Assets - Unrestricted	<u>\$ 86,630</u>	<u>\$ 1,125,929</u>	<u>\$ 1,081,634</u>	<u>\$ 214,359</u>	<u>\$ 2,508,552</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities - Enterprise				
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	Total Enterprise Funds
Operating Cash Receipts:					
Charges for Services	\$ 205,167	\$ 589,759	\$ 1,902,678	\$ 203,102	\$ 2,900,706
Other Operating Receipts	18,847	11,735	87,430	35	118,047
<i>Total Operating Cash Receipts</i>	<u>224,014</u>	<u>601,494</u>	<u>1,990,108</u>	<u>203,137</u>	<u>3,018,753</u>
Operating Cash Disbursements:					
Personal Services	125,588	101,997	353,170	3,884	584,639
Travel Transportation	3,803	4,986	15,655	-	24,444
Contractual Services	19,651	38,161	1,282,227	153,093	1,493,132
Supplies and Materials	68,396	21,138	115,299	2,167	207,000
Capital Outlay	19,211	119,394	3,127	21,792	163,524
<i>Total Operating Cash Disbursements</i>	<u>236,649</u>	<u>285,676</u>	<u>1,769,478</u>	<u>180,936</u>	<u>2,472,739</u>
<i>Excess of Operating Cash Receipts Over Operating Cash Disbursements</i>	(12,635)	315,818	220,630	22,201	546,014
Non-Operating Cash Receipts (Cash Disbursements)					
Other Non-Operating Receipts	-	-	-	20,369	20,369
Other Non-Operating Disbursements	-	-	(29,578)	(16,042)	(45,620)
Intergovernmental Receipts	-	27,090	-	-	27,090
Proceeds from Loan	-	24,362	-	-	24,362
Principal	(29,940)	(103,212)	-	-	(133,152)
Interest and Fiscal Charges	(3,802)	(88,467)	-	-	(92,269)
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>(33,742)</u>	<u>(140,227)</u>	<u>(29,578)</u>	<u>4,327</u>	<u>(199,220)</u>
<i>Income (Loss) before Transfers and Advances</i>	(46,377)	175,591	191,052	26,528	346,794
Transfers and Advances:					
Transfers In	100,000	-	-	-	100,000
Transfers Out	-	-	(67,961)	-	(67,961)
Advances In	-	50,000	-	9,600	59,600
<i>Total Transfers and Advances</i>	<u>100,000</u>	<u>50,000</u>	<u>(67,961)</u>	<u>9,600</u>	<u>91,639</u>
<i>Change in Net Assets</i>	53,623	225,591	123,091	36,128	438,433
<i>Net Assets Beginning of Year - As Restated</i>	<u>33,007</u>	<u>900,338</u>	<u>958,543</u>	<u>178,231</u>	<u>2,070,119</u>
<i>Net Assets End of Year</i>	<u>\$ 86,630</u>	<u>\$ 1,125,929</u>	<u>\$ 1,081,634</u>	<u>\$ 214,359</u>	<u>\$ 2,508,552</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
As of December 31, 2008

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,381</u>
Net Assets	
Unrestricted	\$ <u>1,381</u>
<i>Total Net Assets</i>	\$ <u>1,381</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1. DESCRIPTION OF THE ENTITY

The Village of Arcanum, Darke 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 publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, refuse services, park operations (leisure time activities), and police and fire services.

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

Primary Government The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The reporting entity is comprised of only the primary government. No component units or other organizations were included to ensure that the financial statements are not misleading.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This 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 cash basis of accounting. In 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 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 proprietary funds. Following are more significant of the Village's accounting policies.

A. Basis of Presentation

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.

Government-Wide Financial Statements

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 balances 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 cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operating or capital requirements of a particular program.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General cash 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 the 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 proprietary 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 non-operating.

B. Fund Accounting

The Village uses funds to maintain its financial records during the fiscal 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 Village's funds are divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants) and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund – This 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.

Street Fund – This fund accounts for property tax levy monies used for maintenance and repair of streets within the Village.

Other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service 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 as follows:

Water Fund – This fund is used to account for receipts received from user charges for water services provided to residents of the Village. The costs of providing services are financed through user charges.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

Sewer Fund – This fund is used to account for receipts received from user charges for sewer services provided to residents of the Village. The costs of providing services are financed through user charges.

Electric Fund – This fund is used to account for receipts received from user charges for electric services provided to residents of the Village. The costs of providing services are financed through user charges.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The Village has one fiduciary fund: an Unclaimed Monies agency fund used to account for stale outstanding checks.

C. Basis of Accounting

These financial statements are prepared using the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

As a result of the use of this 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.

D. Budgetary Process

All funds, except the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. 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 object level within each function by fund.

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 certificate of estimated resources in effect at the time the final appropriations were passed by the Village Council.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. 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”.

During 2008, the Village’s investments were limited to certificates of deposit and STAR Ohio.

For reporting purposes, the Village considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. The investment in STAR Ohio (the State Treasurer’s investment pool) is valued at amounts reported by the State Treasurer.

Following Ohio statutes, the Village has specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund, the Street Fund, and all other governmental funds during 2008 amounted to \$81,400, \$16,280 and \$20,446, respectively.

F. Capital Assets

Acquisitions of property, plant, and equipment (capital assets) are recorded as disbursements when paid. The accompanying basic 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. Unpaid leave is not reflected as a liability under the Village’s cash basis of accounting.

H. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Village’s 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.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Assets

Net assets represent the difference between assets and liabilities. However, under the cash basis of accounting no liabilities are recorded. Therefore, Equity in Pooled Cash and Cash Equivalents equals Net Assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes reflects balances in funds that account for grant monies.

The Village applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$981,570 of restricted net assets, none of which are restricted by enabling legislation.

K. Fund Balance

The Village reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

NOTE 3. 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 Balances – Budget and Actual – Budgetary Basis presented for the General Fund and Street Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). There were no outstanding encumbrances at year end.

NOTE 4. 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.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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 securities 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;
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);
8. Securities lending agreements in which the Village lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Village's total average portfolio; and
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Village's average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Village's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2008, the Village's bank balance of \$3,682,477 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

As of December 31, 2008, the Village had \$600 in undeposited cash which is reported as part of equity in pooled cash and cash equivalents. Of this amount, \$500 was for the purpose of making change and \$100 was for petty cash.

Investments: As of December 31, 2008, the Village had the following investments and maturities:

	2008	
	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$ 642,203	< One Year
Total Fair Value	\$ 642,203	

Interest rate risk – In accordance with the investment policy, the Village manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk than an issuer or other counterparty to an investment will not fulfill its obligations. The Village's investment policy seeks to minimize credit risk by limiting investments to U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available, U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value, certificates of deposit and other evidences of deposit at financial institutions, and bankers acceptances. The Village limits their investments to STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Village's investment policy allows investments as outlined above. The Village's investment policy does not limit the amount it may invest in a single issuer. The Village has invested 100% in STAR Ohio.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the Village's securities are either insured and registered in the name of the Village or at least registered in the name of the Village.

NOTE 5. PROPERTY TAX

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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 5. PROPERTY TAX (Continued)

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2006, were levied after October 1, 2007, 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 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 6.25 percent of true value. 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.

The full tax rate for all Village operations for the year ended December 31, 2008, was \$6.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential	\$31,711,500
Other	3,159,280
Public Utility Property	258,510
Tangible Personal Property	992,170
Total Assessed Value	\$36,121,460

NOTE 6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Balance 12/31/2007 *	Additions	Deletions	Balance 12/31/2008	Due in One Year
Governmental Activities					
Fire Equipment Acquisition	\$ 31,381	\$ -	\$ 31,381	\$ -	\$ -
Lease Purchase-Factory Building	147,178	-	11,321	135,857	11,321
Lease Purchase-1988 Pierce Heavy Duty Rescue Truck	-	100,000	-	100,000	23,496
Total	178,559	100,000	42,702	235,857	34,817
Business-Type Activities					
OWDA Loan 3770	2,686,707	-	85,193	2,601,514	43,076
OWDA Loan 3771	962,875	24,362	519	986,718	10,357
OWDA Loan 4565	192,168	-	8,405	183,763	4,266
OPWC Phase I	139,974	-	21,535	118,439	21,535
OPWC Phase II	240,000	-	15,000	225,000	15,000
OPWC Northwest Storm Sewer	31,250	-	2,500	28,750	2,500
Total	4,252,974	24,362	133,152	4,144,184	96,734
Total Debt	\$4,431,533	\$ 124,362	\$ 175,854	\$ 4,380,041	\$ 131,551

* The balance at December 31, 2007 for OWDA Loan 3771 was restated based on information provided by OWDA regarding their adjustment to the Village's outstanding balance.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 6. DEBT (Continued)

The fire equipment acquisition note relates to the purchase of a fire pumper truck. The loan was repaid in annual installments of \$32,585, including principal and interest of 3.76%, over 5 years with final payment on December 9, 2008. The fire equipment acquisition note was paid from the Fire Equipment Levy Fund.

The first lease purchase agreement relates to the purchase of a factory building that is to be used for the Village's street department. The original amount of the lease purchase agreement was \$169,820. The lease to purchase is to be paid in annual installments of \$11,321 over 15 years with the final payment March 14, 2020. The lease purchase agreement is being paid from the General Fund.

The second lease purchase agreement relates to the purchase of a 1988 Pierce Heavy Duty Rescue Truck. The original amount of the lease purchase agreement was \$100,000. The lease to purchase is to be paid in annual installments of \$27,646 with an interest rate of 4.15%. The lease purchase agreement is for four years with the final payment May 27, 2012. The lease purchase agreement is being paid from the Fire Levy Tax Fund.

The Ohio Water Development Authority (OWDA) loan 3770 relates to the sanitary sewer phase II. The Village was approved for a loan in the amount of \$3,000,000 for this project. The loan is to be repaid in annual installments of \$125,174, including principal and interest at 1.5%, over 30 years with final payment January 1, 2034. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

The Ohio Water Development Authority (OWDA) loan 3771 relates to the sanitary sewer phase II. The Village was approved for a loan in the amount of \$2,000,000. As of December 31, 2007 \$1,077,740 was drawn on the loan and the loan is to be repaid in annual installments of \$127,065, including principal and interest at 4.84%, over 30 years. It was determined that the full amount would not need to be drawn on the loan. Due to payments being made on the assumption that the full loan would be drawn, OWDA adjusted the Village's principal balances outstanding in 2007 and 2008 to reduce principal amount for prior overpayment of interest in the amounts of \$84,629 and \$42,192, respectively. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

The Ohio Water Development Authority (OWDA) loan 4565 relates to the water plant upgrade. The Village was approved for a loan in the amount of \$200,000 for this project. The loan is to be repaid in annual installments of \$12,208, including principal and interest at 2%, over 20 years. The loan is collateralized by water and sewer receipts. OWDA loan 4565 is being repaid from the Water Fund.

The Ohio Water Development Authority (OWDA) loan 5007 relates to the sanitary sewer phase III. The Village was approved for a loan in the amount of \$3,000,000 for this project. The interest rate is 1.5%. This loan has not been finalized so no amortization schedule has been prepared by the OWDA. No draws were made on the available balance as of December 31, 2008.

The Ohio Public Works Commission (OPWC) Phase I loan relates to water tower construction. The OPWC has approved an interest free loan of \$489,000 to the Village for this project. The loan will be repaid in annual installments of \$21,535 over 20 years, with the final payment July 1, 2014. The loan is collateralized by water and sewer receipts and is being repaid from the Water Fund.

The Ohio Public Works Commission (OPWC) Northwest Storm Sewer loan relates to the northwest sanitary sewer separation. The OPWC has approved an interest free loan of \$50,000 to the Village for this project. The loan will be repaid in annual installments of \$2,500 over 20 years with final payment July 1, 2020. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

The Ohio Public Works Commission (OPWC) Phase II loan relates to the sanitary sewer phase II. The OPWC has approved an interest free loan in the amount of \$300,000 for this project. The loan will be repaid in annual installments of \$15,000 over 20 years with final payment July 1, 2023. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 6. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan relates to the sanitary sewer phase III. The OPWC has approved an interest free loan in the amount of \$800,000 for this project. The loan will be repaid in annual installments of \$20,000 over 20 years with final payment July 1, 2030. No draws were made on the available balance as of December 31, 2008.

Amortization of the above debt is scheduled as follows:

Year Ending December 30,	OWDA Loans *			Year Ending December 30,	OPWC Loans **		
	Principal	Interest	Total		Principal	Interest	Total
2009	\$ 57,699	\$ 45,228	\$ 102,927	2009	\$ 39,035	\$ -	\$ 39,035
2010	117,255	88,597	205,852	2010	39,035	-	39,035
2011	119,793	86,059	205,852	2011	39,035	-	39,035
2012	122,405	83,447	205,852	2012	39,035	-	39,035
2013	125,095	80,757	205,852	2013	39,035	-	39,035
2014-2018	668,767	360,496	1,029,263	2014-2018	98,264	-	98,264
2019-2023	749,576	279,686	1,029,262	2019-2023	78,750	-	78,750
2024-2028	825,756	185,195	1,010,951	2024-2028	-	-	-
2029-2033	890,102	78,124	968,226	2029-2033	-	-	-
2034	95,547	1,275	96,823	2034	-	-	-
Total	\$ 3,771,995	\$ 1,288,864	\$ 5,060,860	Total	\$ 372,189	\$ -	\$ 372,189

Year Ending December 30,	Lease Purchase - Factory Building			Year Ending December 30,	Lease Purchase - 1988 Pierce Fire Truck		
	Principal	Interest	Total		Principal	Interest	Total
2009	\$ 11,321	\$ -	\$ 11,321	2009	\$ 23,496	\$ 4,150	\$ 27,646
2010	11,321	-	11,321	2010	24,472	3,175	27,647
2011	11,321	-	11,321	2011	25,487	2,159	27,646
2012	11,321	-	11,321	2012	26,545	1,102	27,647
2013	11,321	-	11,321	2013	-	-	-
2014-2018	56,607	-	56,607	2014-2018	-	-	-
2019-2023	22,645	-	22,645	2019-2023	-	-	-
2024-2028	-	-	-	2024-2028	-	-	-
2029-2033	-	-	-	2029-2033	-	-	-
2034	-	-	-	2034	-	-	-
Total	\$ 135,857	\$ -	\$ 135,857	Total	\$ 100,000	\$ 10,586	\$ 110,586

Year Ending December 30,	Total Debt		
	Principal	Interest	Total
2009	\$ 131,551	\$ 49,378	\$ 180,929
2010	192,083	91,772	283,855
2011	195,636	88,218	283,854
2012	199,306	84,549	283,855
2013	175,451	80,757	256,208
2014-2018	823,638	360,496	1,184,134
2019-2023	850,971	279,686	1,130,657
2024-2028	825,756	185,195	1,010,951
2029-2033	890,102	78,124	968,226
2034	95,547	1,275	96,822
Total	\$ 4,380,041	\$ 1,299,450	\$ 5,679,491

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 6. DEBT (Continued)

* OWDA loan 5007 has not been finalized and is not included in the above amortization table. However, there were no draws made as of December 31, 2008.

** The OPWC loan for the sanitary sewer phase III has not been finalized and is not included in the above amortization table. However, there were no draws made as of December 31, 2008.

NOTE 7. RETIREMENT SYSTEMS

The Village's law enforcement officers and the fire chief belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System of Ohio (OPERS).

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0% for 2008 and 9.5% for 2007 for the Village.

The employer contribution rates were 14.0% for 2008 and 13.85% for 2007 of covered payroll for the Village.

The Village's contributions to OPERS for the years ended December 31, 2008, 2007, and 2006 were \$91,473, \$86,065, and \$91,287, respectively, which were the required contributions for those years.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 7. RETIREMENT SYSTEMS (Continued)

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2008, 2007 and 2006 were \$32,766, \$24,222, and \$32,271, respectively; or 100% of the required contributions for those years.

NOTE 8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Financial Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, the Village contributed at 14% of covered payroll. In 2007, the Village contributed at 13.85% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 8. POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

For 2008, the employer contributions allocated to the health care plan was 7.0% of covered payroll. For 2007, the employer contributions allocated to the health care plan from January 1 through June 30, 2007 and July 1, 2007 through December 31, 2007 was 5.0% and 6.0%, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$45,736 for 2008, \$34,177 for 2007 and \$29,988 for 2006.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 8. POSTEMPLOYMENT BENEFITS (Continued)

Ohio Police and Fire Pension Fund (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F board of trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village of Arcanum's contributions that were used to fund post-employment benefits were \$11,337, \$8,381, and \$12,812 for 2008, 2007 and 2006, respectively.

NOTE 9. RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of loss due to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a 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, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses its own policies and reinsures with A-VII or better rated carriers, except for a 5 percent portion the Plan retains. With policies effective September 1, 2003 and after, the Plan pays the lesser of 5 percent or \$25,000 for casualty losses up to the coverage limit and the lesser of 5 percent or \$50,000 for property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years and there were no significant reductions in coverage from the prior year.

**Village of Arcanum
Darke County, Ohio**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2008*

NOTE 9. RISK MANAGEMENT (Continued)

The Plan's financial statements (audited by other auditors – most recent dates available) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2007	2006
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	\$ 6,862,902	\$ 6,290,528

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Employee Medical Benefits

The Village provides medical insurance benefits, prescription coverage and life insurance in the amount of \$20,000 to all eligible employees through United HealthCare Insurance Company of Ohio.

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST

OMEGA JV5

The Village is a Financing Participant with an ownership percentage of 0.84 percent, 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 and 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 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2008, the Village has met its debt coverage obligation.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

OMEGA JV5 (Continued)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes 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 percent 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 \$75,255 at December 31, 2008. Under the Village's cash basis of accounting, the equity interest in OMEGA JV5 is not reported as an asset in the accompanying basic financial statements. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or the State Auditor's website at www.auditor.state.oh.us.

Amortization of the Participant's percentage share of debt as follows (as of December 31, 2007, latest audited information available):

	<u>Principal</u>	<u>Interest</u>	<u>Refunding</u>	<u>Total</u>
2008	\$ 36,750	\$ 40,269	\$ 11,553	\$ 88,572
2009	37,590	39,443	11,555	88,588
2010	38,388	38,255	11,551	88,194
2011	39,522	36,709	11,531	87,762
2012	40,824	35,046	11,534	87,404
2013-2017	238,182	141,579	57,857	437,618
2018-2022	302,652	74,227	57,667	434,546
2023-2027	215,661	209,723	20,073	445,457
2028-2030	44,445	151,947	-	196,392
Total	<u>\$ 994,014</u>	<u>\$ 767,198</u>	<u>\$ 193,321</u>	<u>\$ 1,954,533</u>

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .03% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project Shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65MW of distributed generation of which 134.081MW is the participant's entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$12,110 at December 31, 2008. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

OMEGA JV2

The thirty-six participating subdivisions and their respective ownership share at December 31, 2009 are:

Municipality	Percent Ownership	KW Entitlement	Municipality	Percent Ownership	KW Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.2%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Under the Village's cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying basic financial statements.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

Segment Information for the Electric Fund

Included in the services provided by the Village are electric utility services financed primarily by user charges. The calculation of Joint Venture 5 (JV5) debt coverage and the financial breakdown of the Electric Fund are presented separately to satisfy debt covenant compliance requirements with AMP Ohio. The financial information for the year ended December 31, 2007 and 2006 (the latest information available) for these enterprises are indicated below:

Calculation of JV5 Debt Coverage		
	2008	2007
Operating Income	\$ 220,630	\$ 208,696
JV5 Debt Service (Included above as operating expenses to Amp Ohio)	88,449	88,531
KWH Tax from General Fund	-	-
Adjusted Operating Income Available for Debt Service	309,079	297,227
OMEGA JV5 Debt Service (paid by Amp Ohio)	88,449	88,531
Other Electric System Debt Service	-	-
Total Electric System Debt	\$ 88,449	\$ 88,531
Coverage (Covenants require 110% coverage of all debt)	349%	336%

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2008

	<u>Electric Fund</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Operating Cash Receipts:			
Charges for Services	\$ 1,902,678	\$ 998,028	\$ 2,900,706
Other Operating Receipts	<u>87,430</u>	<u>30,617</u>	<u>118,047</u>
Total Operating Cash Receipts	1,990,108	1,028,645	3,018,753
Operating Cash Disbursements:			
Personal Services	353,170	231,469	584,639
Travel Transportation	15,655	8,789	24,444
Contractual Services	1,282,227	210,905	1,493,132
Supplies and Materials	115,299	91,701	207,000
Capital Outlay	<u>3,127</u>	<u>50,545</u>	<u>53,672</u>
Total Operating Cash Disbursements	<u>1,769,478</u>	<u>593,409</u>	<u>2,362,887</u>
Operating Receipts Over (Under) Operating Disbursements	220,630	435,236	655,866
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Receipts	-	20,369	20,369
Other Nonoperating Disbursements	(29,578)	(16,042)	(45,620)
Proceeds from Loan	-	24,362	24,362
Principal Payments	-	(133,152)	(133,152)
Interest and Fiscal Charges	<u>-</u>	<u>(92,269)</u>	<u>(92,269)</u>
Total Non-Operating Receipts/(Disbursements)	<u>(29,578)</u>	<u>(196,732)</u>	<u>(226,310)</u>
Net Receipts Before Interfund Transfers and Advances	191,052	238,504	429,556
Transfers and Advances:			
Transfers - In	-	100,000	100,000
Transfers - Out	(67,961)	-	(67,961)
Advances - In	<u>-</u>	<u>9,600</u>	<u>9,600</u>
Total Transfers and Advances	<u>(67,961)</u>	<u>109,600</u>	<u>41,639</u>
Net Receipts Over Disbursements	123,091	348,104	471,195
Fund Cash Balances, January 1	<u>958,543</u>	<u>1,031,364</u>	<u>1,989,907</u>
Fund Cash Balances, December 31	<u><u>\$ 1,081,634</u></u>	<u><u>\$ 1,379,468</u></u>	<u><u>\$ 2,461,102</u></u>

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2007

	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$ 1,797,752	\$ 912,818	\$ 2,710,570
Other Operating Receipts	91,361	6,302	97,663
Total Operating Cash Receipts	1,889,113	919,120	2,808,233
Operating Cash Disbursements:			
Personal Services	346,920	222,111	569,031
Travel Transportation	10,753	5,915	16,668
Contractual Services	1,123,954	182,045	1,305,999
Supplies and Materials	100,903	61,120	162,023
Capital Outlay	97,887	88,440	186,327
Total Operating Cash Disbursements	1,680,417	559,631	2,240,048
Operating Receipts Over (Under) Operating Disbursements	208,696	359,489	568,185
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Disbursements	(30,678)	(17,439)	(48,117)
Principal Payments	-	(131,203)	(131,203)
Interest and Fiscal Charges	-	(45,213)	(45,213)
Total Non-Operating Receipts/(Disbursements)	(30,678)	(193,855)	(224,533)
Net Receipts Before Interfund Transfers and Advances	178,018	165,634	343,652
Transfers:			
Transfers - In	-	84,100	84,100
Transfers - Out	(70,286)	-	(70,286)
Total Transfers	(70,286)	84,100	13,814
Net Receipts Over Disbursements	107,732	249,734	357,466
Fund Cash Balances, January 1	850,811	781,630	1,632,441
Fund Cash Balances, December 31	\$ 958,543	\$ 1,031,364	\$ 1,989,907

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 11. SUBSEQUENT EVENTS

In January 2009, the Village entered into contracts with Kokosing Construction Company, in the amount of \$256,152, and Brackney, Inc., in the amount of \$2,190,437, for work on the Sanitary Sewer Separation Phase III project.

During 2009, the Village contracted with Anthem to provide medical insurance benefits, prescription drug coverage, and life insurance for all eligible employees.

NOTE 12. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended December 31, 2008 were as follows:

Major Funds:	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 150,000	\$ 67,961
Street Fund	-	50,000
Total Major Funds	<u>150,000</u>	<u>117,961</u>
Major Proprietary Funds:		
Water Fund	-	100,000
Electric Fund	67,961	-
Total Major Proprietary Funds	<u>67,961</u>	<u>100,000</u>
Total	<u>\$ 217,961</u>	<u>\$ 217,961</u>

The transfer from the General Fund to the Street Fund was to finance street improvements. The transfer from the General Fund to the Water Fund was to subsidize expenses. The transfer from the Electric Fund to the General Fund is to transfer kilowatt tax money to the General Fund as mandated by State statute.

Interfund Advances

Advances made during the year ended December 31, 2008 were as follows:

Major Fund:	<u>Advances Out</u>	<u>Advances In</u>
General Fund	\$ 59,600	\$ -
Total Major Fund	<u>59,600</u>	<u>-</u>
Non-major Fund:		
Separation Phase III Fund	-	50,000
Total Non-major Fund	<u>-</u>	<u>50,000</u>
Non-major Proprietary Fund:		
Electric Meter Surcharge Fund	-	9,600
Total Non-major Proprietary Fund	<u>-</u>	<u>9,600</u>
Total All Funds	<u>\$ 59,600</u>	<u>\$ 59,600</u>

The General Fund made an advance to the Separation Phase III Fund in anticipation of money to be received from the Ohio Public Works Commission. The advance to the Electric Meter Surcharge Fund was to enable the Village to purchase radio-read electric meters at a discounted rate. These advances are expected to be repaid during fiscal year 2009.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 13. CHANGE IN BASIS OF ACCOUNTING AND FUND BALANCE RESTATEMENT

For prior years, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the Auditor of State's Office. For 2008, the Township has implemented the cash basis of accounting described in Note 2. 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. The Village also determined that a fund which previously had been classified as a non-major Capital Projects fund was more appropriate to be classified as part of the Sewer Enterprise fund.

This change resulted in the Enterprise fund balance previously reported at \$1,989,907 as of December 31, 2007 being increased by \$80,212 with the increase relating to the Sewer Enterprise Fund as of January 1, 2008. This also resulted in the Business-Type Activities Net Assets balance as of January 1, 2008 being increased by \$80,212 to reflect this reclassification. This change also resulted in the Capital Projects fund balance as of December 31, 2007 being decreased by \$80,212 with the decrease relating to Other Governmental Funds as of January 1, 2008. This also resulted in the Governmental Activities Net Assets balance as of January 1, 2008 being decreased by \$80,212 to reflect this reclassification.



**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

Members of Council
Village of Arcanum
104 West South St
Arcanum, Ohio 45304

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Arcanum, Darke County, Ohio (the Village), as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 11, 2010 wherein we noted the Village prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As more fully described in Note 13 to the basic financial statements, we also noted that the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local 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 expressing our opinions on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 11, 2010.

We intend this report solely for the information and use of the Village's management and the Village Council. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
June 11, 2010

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

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

Finding Number	
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None Noted

VILLAGE OF ARCANUM
DARKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Material Weakness – Reclassifications, Adjustments and miscalculated financial statements	Yes	N/A



Mary Taylor, CPA
Auditor of State

VILLAGE OF ARCANUM

DARKE 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 5, 2010**