



Dave Yost • Auditor of State

**VILLAGE OF ARCANUM
DARKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Arcanum
Darke County
104 West South Street
Arcanum, Ohio 45304

To the Village Council:

Report on the Financial Statements

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 years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position 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, as of December 31, 2013 and 2012 and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 17 to the 2012 financial statements, the Township restated its Proprietary Funds' beginning balances for 2012. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and business-type activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2014

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**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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, 2013, 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 2013 are as follows:

- Net position of governmental activities increased \$182,215 or 10 percent.
- The Village's general receipts for governmental activities are comprised substantially of property and local income taxes. These receipts represent 48 percent of the total cash received for governmental activities during the year.
- Net position of business-type activities increased \$168,872 or 6 percent from the prior year due to cash receipts, transfers, and advances in excess of cash disbursements.
- For 2013, total governmental funds had cash receipts and other financing receipts of \$1,374,736 and cash disbursements and other financing disbursements of \$1,192,521. 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 position-cash basis and the statement of activities-cash basis 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

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.

Reporting the Village as a Whole

The statement of net position-cash basis and the statement of activities-cash basis reflect how the Village did financially during 2013, within the limitations of cash basis accounting. The statement of net position-cash basis presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities-cash basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program cash 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 cash 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 position 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 two categories: governmental and proprietary.

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 fund is the General Fund.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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(Continued)**

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 presents three major enterprise funds: the Water, Sewer, and Electric Funds.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2013 as compared to 2012.

**(Table 1)
Net Position
Governmental Activities**

	2013	2012
Assets		
Current Assets	\$1,948,335	\$1,766,120
Total Assets	<u>1,948,335</u>	<u>1,766,120</u>
Net Position		
Restricted for:		
Capital Projects	173,657	57,720
Debt Service	55,067	22,767
State Highway	237,695	230,915
Street Repair	116,200	102,325
Other Purposes	232,503	200,807
Unrestricted	<u>1,133,213</u>	<u>1,151,586</u>
Total Net Position	<u>\$1,948,335</u>	<u>\$1,766,120</u>
Business-type Activities		
	2013	2012
Assets		
Current Assets	\$3,048,735	\$2,879,863
Total Assets	<u>3,048,735</u>	<u>2,879,863</u>
Net Position		
Restricted for Customer		
Deposits	100,746	86,428
Unrestricted	<u>2,947,989</u>	<u>2,793,435</u>
Total Net Position	<u>\$3,048,735</u>	<u>\$2,879,863</u>

For 2013, total governmental activities net position increased \$182,215 due primarily to an increase in capital grants and contributions and proceeds from bonds issued as described on page 1. Total business-type net position increased \$168,872 as result of a decrease in construction project related disbursements.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position for 2013 as compared to 2012.

**(Table 2)
Changes in Net Position
Governmental Activities**

	2013	2012
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$98,389	\$96,017
Operating Grants and Contributions	203,442	236,424
Capital Grants and Contributions	71,074	-
Total Program Receipts	<u>372,905</u>	<u>332,441</u>
General Receipts:		
Property Taxes	101,731	103,111
Municipal Income Taxes	467,165	486,631
Grants and Entitlements Not Restricted to Specific Programs	62,024	88,745
Proceeds from Sale of Assets	7,853	9,000
Proceeds from Bonds Issued	70,000	-
Interest	13,698	24,311
Miscellaneous	89,075	94,968
Total General Receipts	<u>811,546</u>	<u>806,766</u>
Total Receipts	<u>1,184,451</u>	<u>1,139,207</u>
Cash Disbursements:		
Security of Persons and Property	334,042	325,046
Public Health Services	10,105	11,444
Leisure Time Activities	34,224	42,179
Community Environment	75,107	92,876
Transportation	90,925	93,965
General Government	150,313	164,559
Capital Outlay	283,699	146,366
Debt Service:		
Principal	23,821	50,439
Interest	-	1,159
Total Disbursements	<u>1,002,236</u>	<u>928,033</u>
Increase in Net Position	182,215	211,174
Net Position, January 1	1,766,120	1,554,946
Net Position, December 31	<u>\$1,948,335</u>	<u>\$1,766,120</u>

Program cash receipts represented \$372,905 or 32 percent of total cash receipts for 2013 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.

General receipts represented \$811,546 or 68 percent of the Village's total cash receipts for 2013. For 2013, 13 percent of general cash receipts are property taxes and 58 percent are local income tax. Interest makes up 1 percent of the Village's general cash receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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(Continued)**

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. Disbursements increased due to an increase in capital outlay which was partially offset by a decrease in principal reduction disbursements.

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; and transportation is the cost of maintaining the roads.

**(Table 3)
Changes in Net Position
Business-Type Activities**

	2013	2012
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$3,194,330	\$3,181,839
Total Program Receipts	<u>3,194,330</u>	<u>3,181,839</u>
General Receipts:		
Other Operating Cash Receipts	17,978	33,284
Other Non-operating Cash Receipts	28,959	26,276
Proceeds from Various Loans and Debt Issues		<u>222,187</u>
Total General Receipts	<u>46,937</u>	<u>281,747</u>
Total Receipts	<u>3,241,267</u>	<u>3,463,586</u>
Cash Disbursements:		
Water	328,991	310,286
Sewer	605,541	749,412
Electric	1,923,353	2,093,443
Other Enterprise	214,510	<u>228,970</u>
Total Disbursements	<u>3,072,395</u>	<u>3,382,111</u>
Increase in Net Position	168,872	81,475
Net Position, January 1	<u>2,879,863</u>	<u>2,798,388</u>
Net Position, December 31	<u><u>\$3,048,735</u></u>	<u><u>\$2,879,863</u></u>

Decreases to proceeds from loans and sewer disbursements are due to decreases in monies received from OWDA and OPWC for construction projects. Disbursements decreased due to a decrease in construction project related disbursements which were due to the decrease in proceeds in various loans and debt issues as the projects near completion.

Governmental Activities

If you look at the Statement of Activities-cash basis on page 14 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 2013, the major program disbursements for governmental activities are for security of persons and property, general government, and capital outlay which account for 33, 15, and 28 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

A comparison between the total cost of services and the net cost is presented in Table 4.

(Table 4)

	Governmental Activities		Total Cost Of Services 2012	Net Cost of Services 2012
	Total Cost Of Services 2013	Net Cost of Services 2013		
	Security of Persons and Property	\$334,042		
Public Health Services	10,105	8,725	11,444	10,040
Leisure Time Activities	34,224	9,415	42,179	8,271
Community Environment	75,107	65,953	92,876	82,942
Transportation	90,925	19,339	93,965	10,550
General Government	150,313	131,842	164,559	146,959
Capital Outlay	283,699	118,983	146,366	46,485
Debt Service:				
Principal	23,821	23,821	50,439	50,439
Interest			1,159	1,159
Total Cash Disbursements	\$1,002,236	\$629,331	\$928,033	\$595,592

The dependence upon property and income tax receipts and interest is apparent as 57 percent of governmental activities were supported through general cash receipts for 2013.

Business-type Activities

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

(Table 5)

	Business-Type Activities		Total Cost Of Services 2012	Net Cost of Services 2012
	Total Cost Of Services 2013	Net Cost of Services 2013		
	Water	\$328,991		
Sewer	605,541	50,534	749,412	193,018
Electric	1,923,153	(186,622)	2,093,443	(8,934)
Other Enterprise	214,510	(2,748)	228,970	20,441
Total Cash Disbursements	\$3,072,195	(\$121,935)	\$3,382,111	\$200,272

Program cash receipts provided for 100 percent of the cost of business-type activities in 2013.

The Village's Funds

The governmental fund most affected by the increase in cash and cash equivalents was the General Fund primarily due to an increase in capital outlay disbursements and operating transfer out. The General Fund balance decreased \$18,373.

The Water Fund balance decreased \$564. The Sewer Fund balance decreased \$48,965. The Electric Fund balance increased \$186,622 primarily due to a decrease in disbursements for personal and contractual services from 2012.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

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 2013, the Village amended its original General Fund budget for receipts and disbursements. Final budgeted appropriations were \$390,034 higher than original budgeted appropriations due to an increase in transfers appropriated. Actual receipts and other financing sources were \$10,444 less than final budgeted receipts.

Final budgeted cash disbursements and other financing uses were \$173,546 higher than final actual cash disbursements and other financing uses primarily due to security of persons and property, leisure time activities, community environment, general government, and capital outlay 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 \$283,699 and \$218,430 in the governmental funds and proprietary funds, respectively.

Debt

At December 31, 2013 the Village's outstanding debt included \$6,862,299 in lease purchases, bonds, and loans issued for improvements to buildings, equipment and infrastructure. The loans for infrastructure are due to EPA mandates to separate the sanitary and sewer lines. 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 Fiscal Officer, Village of Arcanum, 104 West South Street, Arcanum, Ohio 45304.

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Village of Arcanum
Darke County, Ohio
Statement of Net Position - Cash Basis
As of December 31, 2013

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,890,507	\$ 2,947,989	\$ 4,838,496
Restricted Cash and Cash Equivalents	57,828	100,746	158,574
<i>Total Assets</i>	<u>\$ 1,948,335</u>	<u>\$ 3,048,735</u>	<u>\$ 4,997,070</u>
 Net Position			
Restricted for:			
Capital Projects	\$ 173,657	\$ -	\$ 173,657
Debt Service	55,067	-	55,067
State Highway	237,695	-	237,695
Street Repair	116,200	-	116,200
Other Purposes	232,503	-	232,503
Customer Deposits	-	100,746	100,746
Unrestricted	1,133,213	2,947,989	4,081,202
<i>Total Net Position</i>	<u>\$ 1,948,335</u>	<u>\$ 3,048,735</u>	<u>\$ 4,997,070</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, 2013

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	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	\$ 334,042	\$ 24,244	\$ 58,545	\$ -	\$ (251,253)	\$ -	\$ (251,253)
Public Health Services	10,105	321	1,059	-	(8,725)	-	(8,725)
Leisure Time Activities	34,224	9,105	15,704	-	(9,415)	-	(9,415)
Community Environment	75,107	1,950	7,204	-	(65,953)	-	(65,953)
Transportation	90,925	26,449	45,137	-	(19,339)	-	(19,339)
General Government	150,313	3,963	14,508	-	(131,842)	-	(131,842)
Capital Outlay	283,699	32,357	61,285	71,074	(118,983)	-	(118,983)
Debt Service:							
Principal	23,821	-	-	-	(23,821)	-	(23,821)
<i>Total Governmental Activities</i>	<u>1,002,236</u>	<u>98,389</u>	<u>203,442</u>	<u>71,074</u>	<u>(629,331)</u>	<u>-</u>	<u>(629,331)</u>
Business Type Activities							
Water	328,991	312,090	-	-	-	(16,901)	(16,901)
Sewer	605,541	555,007	-	-	-	(50,534)	(50,534)
Electric	1,923,353	2,109,975	-	-	-	186,622	186,622
Other Enterprise	214,510	217,258	-	-	-	2,748	2,748
<i>Total Business Type Activities</i>	<u>3,072,395</u>	<u>3,194,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,935</u>	<u>121,935</u>
Total Primary Government	<u>\$ 4,074,631</u>	<u>\$ 3,292,719</u>	<u>\$ 203,442</u>	<u>\$ 71,074</u>	<u>(629,331)</u>	<u>121,935</u>	<u>(507,396)</u>
General Receipts and Transfers							
Property Taxes Levied for:							
General Purposes					56,436	-	56,436
Garbage Levy					8,333	-	8,333
Police Pension					8,455	-	8,455
Fire Equipment Levy					28,507	-	28,507
Municipal Income Taxes					467,165	-	467,165
Grants and Entitlements not Restricted to Specific Programs					62,024	-	62,024
Other Operating Cash Receipts					-	17,978	17,978
Other Non-Operating Cash Receipts					-	28,959	28,959
Interest					13,698	-	13,698
Miscellaneous					89,075	-	89,075
Proceeds from Bonds Issued					70,000	-	70,000
Proceeds from Sale of Assets					7,853	-	7,853
<i>Total General Receipts and Transfers</i>					<u>811,546</u>	<u>46,937</u>	<u>858,483</u>
<i>Change in Net Position</i>					182,215	168,872	351,087
<i>Net Position Beginning of Year</i>					<u>1,766,120</u>	<u>2,879,863</u>	<u>4,645,983</u>
<i>Net Position End of Year</i>					<u>\$ 1,948,335</u>	<u>\$ 3,048,735</u>	<u>\$ 4,997,070</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, 2013

	<u>General</u>	<u>All Other Governmental</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,133,213	\$ 757,294	\$ 1,890,507
Restricted Cash and Cash Equivalents		\$ 57,828	\$ 57,828
<i>Total Assets</i>	<u>\$ 1,133,213</u>	<u>\$ 815,122</u>	<u>\$ 1,948,335</u>
Fund Balances			
Nonspendable	\$ 1,381	\$ -	\$ 1,381
Restricted	-	815,122	815,122
Assigned	473	-	473
Unassigned	<u>1,131,359</u>	<u>-</u>	<u>1,131,359</u>
<i>Total Fund Balances</i>	<u>\$ 1,133,213</u>	<u>\$ 815,122</u>	<u>\$ 1,948,335</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, 2013

	General	All Other Governmental	Total Governmental Funds
Cash Receipts			
Property Taxes	\$ 56,436	\$ 45,295	\$ 101,731
Municipal Income Taxes	467,165	-	467,165
Intergovernmental	139,651	169,668	309,319
Charges for Services	1,400	83,041	84,441
Special Assessments	-	27,221	27,221
Fines, Licenses and Permits	13,948	-	13,948
Earnings on Investments	8,315	5,383	13,698
Miscellaneous	87,341	1,734	89,075
<i>Total Cash Receipts</i>	<u>774,256</u>	<u>332,342</u>	<u>1,106,598</u>
Cash Disbursements			
Current:			
Security of Persons and Property	274,460	59,582	334,042
Public Health Services	9,882	223	10,105
Leisure Time Activities	3,209	31,015	34,224
Community Environment	75,107	-	75,107
Transportation	-	90,925	90,925
General Government	150,088	225	150,313
Capital Outlay	78,277	205,422	283,699
Debt Service:			
Principal Retirement	11,321	12,500	23,821
<i>Total Cash Disbursements</i>	<u>602,344</u>	<u>399,892</u>	<u>1,002,236</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>171,912</u>	<u>(67,550)</u>	<u>104,362</u>
Other Financing Sources (Uses)			
Proceeds from Bonds	-	70,000	70,000
Sale of Capital Assets	-	7,853	7,853
Transfers In	-	190,285	190,285
Transfers Out	(190,285)	-	(190,285)
<i>Total Other Financing Sources (Uses)</i>	<u>(190,285)</u>	<u>268,138</u>	<u>77,853</u>
<i>Net Change in Fund Balances</i>	(18,373)	200,588	182,215
<i>Fund Balances Beginning of Year</i>	<u>1,151,586</u>	<u>614,534</u>	<u>1,766,120</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,133,213</u>	<u>\$ 815,122</u>	<u>\$ 1,948,335</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budgetary Basis
For the Year Ended December 31, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$ 60,000	\$ 55,000	\$ 56,436	\$ 1,436
Municipal Income Taxes	480,000	480,000	467,165	(12,835)
Intergovernmental	84,550	117,950	139,651	21,701
Charges for Services	1,000	1,200	1,400	200
Fines, Licenses and Permits	20,600	3,550	13,948	10,398
Earnings on Investments	15,000	7,500	8,315	815
Miscellaneous	94,500	119,500	87,341	(32,159)
Total Receipts	755,650	784,700	774,256	(10,444)
<u>Disbursements:</u>				
<u>Current:</u>				
Security of Persons and Property	260,260	260,620	274,460	(13,840)
Public Health Services	11,500	11,500	9,882	1,618
Leisure Time Activities	6,762	6,762	3,209	3,553
Community Environment	126,335	126,335	75,107	51,228
General Government	176,309	176,309	150,111	26,198
Capital Outlay	-	194,837	78,727	116,110
<u>Debt Service:</u>				
Principal Retirement	-	-	11,321	(11,321)
Total Disbursements	581,166	776,363	602,817	173,546
Excess of Receipts Over (Under) Disbursements	174,484	8,337	171,439	163,102
<u>Other Financing Sources and Uses:</u>				
Transfers In	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-
Transfers Out	(26,381)	(221,218)	(190,285)	30,933
Total Other Financing Sources and Uses	(26,381)	(221,218)	(190,285)	30,933
Net Change in Fund Balance	148,103	(212,881)	(18,846)	194,035
Fund Balance Beginning of Year	1,135,676	1,135,676	1,135,676	-
Prior Year Encumbrances Appropriated	14,529	14,529	14,529	-
Fund Balance End of Year	\$ 1,298,308	\$ 937,324	\$ 1,131,359	\$ 194,035

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
As of December 31, 2013

	Business-Type Activities - Enterprise				
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 131,715	\$ 1,126,997	\$ 1,577,027	\$ 112,250	\$ 2,947,989
Restricted Cash and Cash Equivalents	-	-	-	100,746	100,746
<i>Total Assets</i>	131,715	1,126,997	1,577,027	212,996	3,048,735
Fund Net Position					
Restricted for Customer Deposits	-	-	-	100,746	100,746
Unrestricted	131,715	1,126,997	1,577,027	112,250	2,947,989
Total Fund Net Position	\$ 131,715	\$ 1,126,997	\$ 1,577,027	\$ 212,996	\$ 3,048,735

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Cash Receipts
Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise				
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	Total Enterprise Funds
Operating Cash Receipts					
Charges for Services	\$ 312,090	\$ 555,007	\$ 2,109,975	\$ 217,258	\$ 3,194,330
Other Operating Receipts	16,337	1,569	-	72	17,978
<i>Total Operating Cash Receipts</i>	<u>328,427</u>	<u>556,576</u>	<u>2,109,975</u>	<u>217,330</u>	<u>3,212,308</u>
Operating Cash Disbursements					
Personal Services	134,754	124,786	238,564	4,856	502,960
Travel Transportation	6,640	4,985	10,977	-	22,602
Contractual Services	16,053	24,948	1,494,665	194,996	1,730,662
Supplies and Materials	56,356	26,007	48,331	-	130,694
Capital Outlay	51,446	66,810	100,174	-	218,430
<i>Total Operating Cash Disbursements</i>	<u>265,249</u>	<u>247,536</u>	<u>1,892,711</u>	<u>199,852</u>	<u>2,605,348</u>
<i>Excess of Operating Cash Receipts Over Operating Cash Disbursements</i>	63,178	309,040	217,264	17,478	606,960
Non-Operating Cash Receipts (Cash Disbursements)					
Other Non-Operating Receipts	-	-	-	28,959	28,959
Other Non-Operating Disbursements	-	-	(30,642)	(14,658)	(45,300)
Principal Payments	(60,817)	(246,335)	-	-	(307,152)
Interest and Fiscal Charges	(2,925)	(111,670)	-	-	(114,595)
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>(63,742)</u>	<u>(358,005)</u>	<u>(30,642)</u>	<u>14,301</u>	<u>(438,088)</u>
<i>Change in Net Position</i>	(564)	(48,965)	186,622	31,779	168,872
<i>Net Position Beginning of Year</i>	<u>132,279</u>	<u>1,175,962</u>	<u>1,390,405</u>	<u>181,217</u>	<u>2,879,863</u>
<i>Net Position End of Year</i>	<u>\$ 131,715</u>	<u>\$ 1,126,997</u>	<u>\$ 1,577,027</u>	<u>\$ 212,996</u>	<u>\$ 3,048,735</u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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.

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). Accounting principles generally accepted in the United States of America 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. 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 position-cash basis and a statement of activities-cash basis, and cash basis fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position-cash basis and the statement of activities-cash basis display information about the Village as a whole. These statements include the financial activities of the primary government. 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 non-exchange 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 position-cash basis presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities-cash basis 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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.

2. 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. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating 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 two categories: governmental and proprietary.

1. Governmental Funds

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

General Fund – This fund is the operating fund of the Village and is used to account for all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

2. 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:

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The primary source of revenue for this fund is charges for services for water usage.

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. The primary source of revenue for this fund is charges for services for sewer usage.

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. The primary source of revenue for this fund is charges for services for electrical usage.

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 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.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2013, 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 Village has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013.

Following Ohio statutes, the Village has specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund, and all other governmental funds during 2013 amounted to \$8,315 and \$5,383, 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position

Net position represents 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 Position. Net position is 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 position is available.

The government-wide statement of net position-cash basis reports \$915,868 in restricted net position, none of which are restricted by enabling legislation.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Village Council.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 is 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)). At December 31, 2013, there was \$473 in encumbrances. As part of the Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that were previously reported as an agency are considered part of the General Fund on a cash basis. This includes the Unclaimed Monies Fund. This fund was excluded from the budgetary presentation for the General Fund.

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.

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;

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

A. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2013, the Village's bank balance of \$4,795,376 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, 2013, the Village had \$600 in un-deposited 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.

B. Investments

As of December 31, 2013, the Village had the following investments and maturities:

	2013	
	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$244,516	< One Year
Total Fair Value	\$244,516	

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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

5. PROPERTY TAX

Property taxes include amounts levied against all real property and public utility property located in the Village. Real property tax receipts received in 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2013 represent the collection of 2012 taxes. Public utility real property taxes received in 2013 became a lien on December 31, 2011, were levied after October 1, 2012, 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.

The full tax rate for all Village operations for the year ended December 31, 2013, was \$7.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property	
Real Estate –	\$29,477,440
Residential/Agricultural	
Real Estate – All Other	2,891,100
Public Utility – Personal Property	<u>299,510</u>
Total Assessed Value	<u>\$32,668,050</u>

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Balance			Balance	Due in
	12/31/2012	Additions	Deletions	12/31/2013	One Year
Governmental Activities					
Lease Purchase-Factory Building	\$90,573		\$11,321	\$79,252	\$11,321
OPWC CK38M W. George Street	218,750		12,500	206,250	12,500
Fire Truck Bonds Series 2013		<u>\$70,000</u>		70,000	<u>16,785</u>
Total Governmental Activities	<u>309,323</u>	<u>70,000</u>	<u>23,821</u>	<u>355,502</u>	<u>40,606</u>
Business-Type Activities					
OWDA Loan 3770	2,247,727		91,801	2,155,926	93,183
OWDA Loan 3771	896,493		25,386	871,107	26,628
OWDA Loan 4565	148,416		9,285	139,131	9,472
OWDA Loan 5007	2,365,264		71,648	2,293,616	72,727
OPWC Loan CK619	32,299		21,532	10,767	10,767
OPWC Phase II CK06F	165,000		15,000	150,000	15,000
OPWC CK30C NW Storm	18,750		2,500	16,250	2,500
OPWC Phase III CK02L	760,000		40,000	720,000	40,000
Artesian of Pioneer/Water Media	180,000		30,000	150,000	30,000
Total Business-Type Activities	<u>6,813,949</u>		<u>307,152</u>	<u>6,506,797</u>	<u>300,277</u>
Total Debt	<u>\$7,123,272</u>	<u>\$70,000</u>	<u>\$330,973</u>	<u>\$6,862,299</u>	<u>\$340,883</u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEBT (Continued)

The 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 being 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 Ohio Public Works Commission (OPWC) Loan No CK38M relates to the West George Street Project. The OPWC has approved an interest free loan in the amount of \$250,000 for this project. The loan is being repaid in annual installments of \$12,500 over 20 years with final payment July 1, 2030. The loan is being repaid from the Permissive 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 being 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. In May 2009, it was determined that the full amount would not need to be drawn on the loan. The loan is being repaid in annual installments of \$68,471, including principal and interest at 4.84% with the final payment December 31, 2033. 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 being 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. This loan is being repaid in annual installments of \$106,860, including principal and interest at 1.5%, over 30 years. OWDA loan 5007 is being repaid from the Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan CK619 loan relates to the construction of a new water tower. The OPWC has approved an interest free loan of \$489,000 to the Village for this project. The loan is being repaid in annual installments of \$21,535 over 20 years, with the final payment July 1, 2014. The loan is collateralized by water receipts and is being repaid from the Water Fund.

The Ohio Public Works Commission (OPWC) Loan CK06F 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 is being 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.

The Ohio Public Works Commission (OPWC) Loan CK30C 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 is being 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEBT (Continued)

The Ohio Public Works Commission (OPWC) Loan No CK02L relates to the sanitary sewer phase III. The OPWC has approved a \$500,000 grant with an interest free loan in the amount of \$800,000 for this project. The loan will be repaid in annual installments of \$40,000 over 20 years with final payment July 1, 2030. The loan is collateralized by the water and sewer receipts and is being repaid from the Sewer Fund.

The Artesian of Pioneer loan relates to emergency action required to repair the water media system. Artesian of Pioneer approved an interest free loan in the amount of \$300,000 for this project. Upon completion of the project a \$30,000 payment was required with the remaining balance to be repaid in annual installments of \$30,000 over a nine year period with final payment February 1, 2018. The loan is collateralized by water receipts and is being repaid from the Water Fund.

During 2013, the Village issued Fire Truck Bonds in the amount of \$70,000 for the purchase of a Fire Truck. The bonds have an interest rate of 2.75% and will mature in 2017. These bonds will be repaid from the Fire Fund.

Amortization of the above debt is scheduled as follows:

Year Ending December 30,	Business-Type Activities			Year Ending December 30,	Governmental Activities		
	OWDA Loans				OPWC Loans		
	Principal	Interest	Total		Principal	Interest	Total
2014	\$202,010	\$110,702	\$312,712	2014	\$12,500		\$12,500
2015	206,003	106,709	312,712	2015	12,500		12,500
2016	210,101	102,611	312,712	2016	12,500		12,500
2017	214,308	98,404	312,712	2017	12,500		12,500
2018	218,628	94,084	312,712	2018	12,500		12,500
2019-2023	1,162,200	401,360	1,563,560	2019-2023	62,500		62,500
2024-2028	1,264,966	274,180	1,539,146	2024-2028	62,500		62,500
2029-2033	1,370,600	131,925	1,502,525	2029-2032	18,750		18,750
2034-2038	505,296	29,002	534,298	Total	<u>\$206,250</u>	<u>\$0</u>	<u>\$206,250</u>
2039-2040	105,668	1,191	106,859				
Total	<u>\$5,459,780</u>	<u>\$1,350,168</u>	<u>\$6,809,948</u>				
Year Ending December 30,	OPWC Loans			Year Ending December 30,	Lease Purchase - Factory Building		
	Principal	Interest	Total		Principal	Interest	Total
2014	\$ 68,267		\$68,267	2014	\$11,321		\$11,321
2015	57,500		57,500	2015	11,321		11,321
2016	57,500		57,500	2016	11,321		11,321
2017	57,500		57,500	2017	11,321		11,321
2018	57,500		57,500	2018	11,321		11,321
2019-2023	278,750		278,750	2019-2022	22,647		22,647
2024-2028	200,000		200,000	Total	<u>\$79,252</u>	<u>\$0</u>	<u>\$79,252</u>
2029-2032	120,000		120,000				
Total	<u>\$897,017</u>	<u>\$0</u>	<u>\$897,017</u>				

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEBT (Continued)

Year Ending December 30,	Artesian-Pioneer			Year Ending December 30,	Fire Truck Bonds - Series 2013		
	Principal	Interest	Total		Principal	Interest	Total
2014	\$30,000		\$30,000	2014	\$16,785	\$1,952	\$18,737
2015	30,000		30,000	2015	17,253	1,484	18,737
2016	30,000		30,000	2016	17,734	1,003	18,737
2017	30,000		30,000	2017	18,228	509	18,737
2018	30,000		30,000	Total	\$70,000	\$4,948	\$74,948
Total	\$150,000	\$0	\$150,000				

7. RETIREMENT SYSTEMS

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

A. Ohio Public Employees Retirement System

1. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
 - a. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - b. 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.
 - c. 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.
2. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
3. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
4. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.
5. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

The member contribution rates for 2013, 2012, and 2011 were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications and 12.0% and 12.6%, 11.5% and 12.1%, and 11.0% and 11.6% respectively for members in public safety and law enforcement.

The employer contribution rates were 14.0%, 14.0%, and 14.0%, respectively, for state and local employers and 18.1%, 18.1%, and 18.1%, respectively for law enforcement and public safety employers for the years ended December 31, 2013, 2012, and 2011 for the Village.

The Village's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$81,014, \$81,380, and \$99,472, respectively, which were equal to the required contributions for those years.

B. 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. That report is also available on OP&F's website at www.op-f.org.

For January 1, 2013 to July 1, 2013, plan members were required to contribute 10.00% of their annual covered salary. From July 2, 2013 through December 31, 2013 plan members were required to contribute 10.75% of their annual covered salary. Employers were 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, 2013, 2012 and 2011 were \$34,068, \$28,980, and \$27,606, respectively; or 100% of the required contributions for those years.

8. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

1. 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 health care 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-employment 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

2. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.1%. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the employer contribution allocated to the health care for members of the Traditional and Combined plans were 1.0%. For 2012 and 2011, the employer contributions allocated to the health care for members in the Traditional was 4.0%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees 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.

3. The employer contributions that were used to fund post-employment benefits were \$5,784 for 2013, \$23,250 for 2012, \$36,114 for 2011, which were equal to the required contributions for each year.
4. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

B. 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 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. That report is also available on OP&F's website at www.op-f.org.

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.

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. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 thru December 31, 2013. 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 to OP&F for the years ended December 31, 2013, 2012, and 2011 allocated to the healthcare plan were \$5,443, \$10,027, and \$9,552, respectively.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2013, the Village contracted with a private insurance carrier for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Carrier</u>	<u>Coverage</u>
Property	ACORD Co.	\$12,110,473
General liability	ACORD Co.	\$1 million per occurrence
	ACORD Co.	\$3 million general aggregate
Automobile fleet liability	ACORD Co.	\$1 million combined single limit
Stop gap liability	ACORD Co.	\$1 million per occurrence
Employee benefits liability	ACORD Co.	\$1 million
Employment practices liability	ACORD Co.	\$1 million/\$3 million
Public officials liability	ACORD Co.	\$1 million/\$3 million
Umbrella liability	ACORD Co.	\$3 million
Law Enforcement	ACORD Co.	\$1 million/\$3 million

The Village carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

B. Worker's Compensation

Workers' Compensation coverage is provided by the State. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

C. 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 Anthem Blue Cross Blue Shield of Ohio.

10. JOINT VENTURES WITH EQUITY INTEREST

A. 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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 position 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, 2013, the Village had met its debt coverage obligation.

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 \$82,024 at December 31, 2013. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or the State Auditor's website at www.ohioauditor.gov.

Amortization of the Participant's percentage share of debt as follows as of December 31, 2013 (the most recent available):

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Refunding</u>	<u>Total</u>
2014	\$44,982	\$30,757	\$11,530	\$87,269
2015	47,292	28,450	11,539	87,281
2016	50,820	25,997	11,692	88,509
2017	52,206	23,422	11,495	87,123
2018	54,768	20,747	11,493	87,008
2019-2023	317,814	58,715	57,308	433,837
2024-2028	167,215	274,688	67,258	509,161
2029-2030	22,960	81,746	15,737	120,443
Total	<u>\$758,057</u>	<u>\$544,522</u>	<u>\$198,052</u>	<u>\$1,500,631</u>

B. 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 138.65 MW 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, which acts as the joint venture's agent. During 2001, AMP 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. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2013, the outstanding debt was \$15,769,323. The Village's net investment in OMEGA JV2 was \$7,477 at December 31, 2013. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership share at December 31, 2013 are:

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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	11.48%	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	0.80%	1,066	Custar	0.00%	4
	<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.

C. 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 years ended December 31, 2013 and 2012 for these enterprises are indicated below:

Calculation of JV5 Debt Coverage

	2013	2012	2007
Operating Income	\$217,264	\$49,949	\$208,696
JV5 Debt Service (Included above as operating expenses to Amp Ohio)	88,192	88,242	88,531
KWH Tax from General Fund			
Adjusted Operating Income Available for Debt Service	<u>305,456</u>	<u>138,191</u>	<u>297,227</u>
OMEGA JV5 Debt Service (paid by Amp Ohio)	88,192	88,242	88,531
Other Electric System Debt Service			
Total Electric System Debt	<u>\$88,192</u>	<u>\$88,242</u>	<u>\$88,531</u>
Coverage (Convenants require 110% coverage of all debt)	346%	157%	336%

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2013

	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$2,109,975	\$1,084,355	\$3,194,330
Other Operating Receipts		17,978	17,978
Total Operating Cash Receipts	<u>2,109,975</u>	<u>1,102,333</u>	<u>3,212,308</u>
Operating Cash Disbursements:			
Personal Services	238,564	264,396	502,960
Travel Transportation	10,977	11,625	22,602
Contractual Services	1,494,665	235,997	1,730,662
Supplies and Materials	48,331	82,363	130,694
Capital Outlay	100,174	118,256	218,430
Total Operating Cash Disbursements	<u>1,892,711</u>	<u>712,637</u>	<u>2,605,348</u>
Operating Receipts Over (Under) Operating Disbursements	217,264	389,696	606,960
Non-Operating Cash Receipts (Cash Disbursements):			
Other Non-operating Receipts		28,959	28,959
Other Non-operating Disbursements	(30,642)	(14,658)	(45,300)
Principal Payments		(307,152)	(307,152)
Interest and Fiscal Charges		(114,595)	(114,595)
Total Non-Operating Receipts/(Disbursements)	<u>(30,642)</u>	<u>(407,446)</u>	<u>(438,088)</u>
Change in Net Position	186,622	(17,750)	168,872
Net Position - Cash Basis, January 1	1,390,405	1,489,458	2,879,863
Net Position - Cash Basis, December 31	<u>\$1,577,027</u>	<u>\$1,471,708</u>	<u>\$3,048,735</u>

As of December 31, 2012

	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$2,102,377	\$1,079,462	\$3,181,839
Other Operating Receipts	9,131	24,153	33,284
Total Operating Cash Receipts	<u>2,111,508</u>	<u>1,103,615</u>	<u>3,215,123</u>
Operating Cash Disbursements:			
Personal Services	317,047	219,758	536,805
Travel Transportation	10,881	8,679	19,560
Contractual Services	1,601,096	253,943	1,855,039
Supplies and Materials	50,515	72,756	123,271
Capital Outlay	82,020	327,432	409,452
Total Operating Cash Disbursements	<u>2,061,559</u>	<u>882,568</u>	<u>2,944,127</u>
Operating Receipts Over (Under) Operating Disbursements	49,949	221,047	270,996

(Continued)

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

	<u>Electric Fund</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Non-Operating Cash Receipts (Cash Disbursements):			
Other Non-operating Receipts		26,276	26,276
Other Non-operating Disbursements	(31,884)	(20,639)	(52,523)
Proceeds of OWDA		199,209	199,209
Proceeds of OPWC		22,978	22,978
Principal Payments		(268,200)	(268,200)
Interest and Fiscal Charges		(117,261)	(117,261)
Total Non-Operating Receipts/(Disbursements)	<u>(31,884)</u>	<u>(157,637)</u>	<u>(189,521)</u>
Change in Net Position	18,065	63,410	81,475
Net Position - Cash Basis, January 1	1,372,340	1,426,048	2,798,388
Net Position - Cash Basis, December 31	<u>\$1,390,405</u>	<u>\$1,489,458</u>	<u>\$2,879,863</u>

11. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended December 31, 2013 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	<u>\$190,285</u>	
	190,285	
Fire Fund		\$23,921
S Main Street Reconstruction Fund		166,364
		<u>190,285</u>
	<u>\$190,285</u>	<u>\$190,285</u>

The transfers are to cover necessary expenses.

12. CONTINGENT LIABILITIES

A. Litigation

The Village is not currently party to any legal proceedings.

B. Federal and State Grants

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

13. INCOME TAX

The Village levies a municipal income tax of 1% on all salaries, wages, commissions and other compensation; on net profits earned within the Village; and on incomes of residents earned outside of the Village for the purpose of operating expenses of the Village.

Employers within the Village are required to withhold income tax on employees' compensation and remit the tax to the Village. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue has been reported as revenue in the General Fund. Income tax revenue for 2013 was \$467,165.

14. CHANGES IN ACCOUNTING PRINCIPLES

For 2013, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62," GASB Statement No. 69, "Government Combinations and Disposals of Government Operations," and GASB Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees."

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

15. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental fund and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>All Other Governmental</u>	<u>Total Governmental Funds</u>
Non-spendable:			
Unclaimed Monies	\$1,381		\$1,381
Restricted for:			
Other Purposes		\$232,503	232,503
Street Repair		116,200	116,200
State Highway		237,695	237,695
Debt Services Payments		55,067	55,067
Capital Improvements		173,657	173,657
Total Restricted		<u>815,122</u>	<u>815,122</u>
Assigned:			
Other Purposes	473		473
Unassigned (Deficit)	1,131,359		1,131,359
Total Fund Balances	<u>\$1,133,213</u>	<u>\$815,122</u>	<u>\$1,948,335</u>

16. SOUTH MAIN STREET RECONSTRUCTION PROJECT

In February 2013, the Village began the South Main Street Reconstruction project. Ohio Public Works Commission approved grant, CT19Q in the amount of \$500,000 and loan CT20Q in the amount of \$610,000. As of the end of 2013 no loan monies were dispersed.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

17. SUBSEQUENT EVENT

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 2,237 kilowatts of a total 771,281 kilowatts, giving the Village a 0.29 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$384,570. The Village received a credit of \$56,955 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$101,168 related to the AMPGS costs deemed to have future benefit for the project participants, and made payments of \$300,000 leaving a net credit balance of impaired cost estimate of \$73,553. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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, 2012, 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 2012 are as follows:

- Net position of governmental activities increased \$211,174 or 14 percent.
- The Village's general receipts for governmental activities are comprised substantially of property and local income taxes. These receipts represent 52 percent of the total cash received for governmental activities during the year.
- Net position of business-type activities increased \$81,475 or 3 percent from the prior year due to cash receipts, transfers, and advances in excess of cash disbursements.
- For 2012, total governmental funds had cash receipts and other financing receipts of \$1,170,207 and cash disbursements and other financing disbursements of \$959,033. 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 position-cash basis and the statement of activities-cash basis 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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(Continued)**

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.

Reporting the Village as a Whole

The statement of net position-cash basis and the statement of activities-cash basis reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The statement of net position-cash basis presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities-cash basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program cash 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 cash 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 position 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 two categories: governmental and proprietary.

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 fund is the General Fund.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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(Continued)**

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 presents three major enterprise funds: the Water, Sewer, and Electric Funds.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2012 as compared to 2011.

**(Table 1)
Net Position
Governmental Activities**

	<u>2012</u>	<u>2011</u>
Assets:		
Current Assets	\$1,766,120	\$1,554,946
Total Assets	<u>1,766,120</u>	<u>1,554,946</u>
Net Position:		
Restricted for:		
Capital Projects	57,720	57,524
Debt Service	22,767	16,861
State Highway	230,915	222,113
Street Repair	102,325	103,968
Other Purposes	200,807	191,246
Unrestricted	<u>1,151,586</u>	<u>963,234</u>
Total Net Position	<u>\$1,766,120</u>	<u>\$1,554,946</u>
Business-type Activities		
	<u>2012</u>	<u>2011 (Restated)</u>
Assets		
Current Assets	\$2,879,863	\$2,798,388
Total Assets	<u>2,879,863</u>	<u>2,798,388</u>
Net Position		
Restricted for Customer Deposits	86,428	80,791
Unrestricted	<u>2,793,435</u>	<u>2,717,597</u>
Total Net Position	<u>\$2,879,863</u>	<u>\$2,798,388</u>

For 2012, total governmental activities net position increased \$211,174 due primarily to an increase in municipal income tax receipts. Total business-type net position increased \$81,475 as result of loan proceeds received during 2012 and a decrease in expenditures.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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(Continued)**

Table 2 reflects the changes in net position for 2012 as compared to 2011.

**(Table 2)
Changes in Net Position
Governmental Activities**

	2012	2011
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$96,017	\$79,794
Operating Grants and Contributions	236,424	256,728
Total Program Receipts	<u>332,441</u>	<u>336,522</u>
General Receipts:		
Property Taxes	103,111	109,171
Municipal Income Taxes	486,631	394,566
Grants and Entitlements Not Restricted to Specific Programs	88,745	88,988
Proceeds from Sale of Assets	9,000	-
Interest	24,311	34,805
Miscellaneous	94,968	21,927
Total General Receipts	<u>806,766</u>	<u>649,457</u>
Total Receipts	<u>1,139,207</u>	<u>985,979</u>
Cash Disbursements:		
Security of Persons and Property	325,046	317,861
Public Health Services	11,444	11,156
Leisure Time Activities	42,179	40,360
Community Environment	92,876	94,185
Transportation	93,965	104,445
General Government	164,559	158,234
Capital Outlay	146,366	122,842
Debt Service:		
Principal	50,439	49,330
Interest	1,159	2,268
Total Disbursements	<u>928,033</u>	<u>900,681</u>
Excess of Receipts Over Disbursements	211,174	85,298
Transfers and Advances:		
Transfers		17,956
Advances		7,500
Increase in Net Position	<u>211,174</u>	<u>110,754</u>
Net Position, January 1	1,554,946	1,444,192
Net Position, December 31	<u>\$1,766,120</u>	<u>\$1,554,946</u>

Program cash receipts represented \$332,441 or 29 percent of total cash receipts for 2012 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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

General receipts represented \$806,766 or 71 percent of the Village's total cash receipts for 2012. For 2012, 9 percent of general cash receipts are property taxes and 43 percent are local income tax. Interest makes up 2 percent of the Village's general cash receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources. The increase to municipal income taxes is due to the full effect of the income of the municipal income tax from ½% to 1% in 2011.

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. Disbursements remained consistent between the two years.

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; and transportation is the cost of maintaining the roads.

**(Table 3)
Changes in Net Position
Business-Type Activities**

	2012	2011
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$3,181,839	\$3,287,586
Total Program Receipts	3,181,839	3,287,586
General Receipts:		
Other Operating Cash Receipts	33,284	116,777
Other Non-operating Cash Receipts	26,276	25,754
Proceeds from Various Loans and Debt Issues	222,187	93,798
Total General Receipts	281,747	236,329
Total Receipts	3,463,586	3,523,915
Cash Disbursements:		
Water	310,286	310,660
Sewer	749,412	739,649
Electric	2,093,443	2,320,916
Other Enterprise	228,970	255,188
Total Disbursements	3,382,111	3,626,413
Excess of Receipts Over (Under) Disbursements	81,475	(102,498)
Transfers and Advances:		
Transfers		(17,956)
Advances		(7,500)
Increase (Decrease) in Net Position	81,475	(127,954)
Net Position, January 1	2,798,388	2,926,342
Net Position, December 31	\$2,879,863	\$2,798,388

Increases to proceeds from loans and sewer disbursements are due to increases in monies received from OWDA and OPWC for construction projects. Decreases in charges for services and sales and electric disbursements are due to less electric consumed by the residents.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

Governmental Activities

If you look at the Statement of Activities-cash basis 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 2012, the major program disbursements for governmental activities are for security of persons and property and general government which account for 35 and 18 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash 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)
Governmental Activities**

	Total Cost Of Services 2012	Net Cost of Services 2012	Total Cost Of Services 2011	Net Cost of Services 2011
Security of Persons and Property	\$325,046	\$238,747	\$317,861	\$218,218
Public Health Services	11,444	10,040	11,156	8,658
Leisure Time Activities	42,179	8,271	40,360	13,931
Community Environment	92,876	82,942	94,185	74,078
Transportation	93,965	10,550	104,445	29,752
General Government	164,559	146,959	158,234	124,453
Capital Outlay	146,366	46,485	122,842	43,471
Debt Service:				
Principal	50,439	50,439	49,330	49,330
Interest	1,159	1,159	2,268	2,268
Total Cash Disbursements	\$928,033	\$595,592	\$900,681	\$564,159

The dependence upon property and income tax receipts and interest is apparent as 64 percent of governmental activities were supported through general cash receipts for 2012.

Business-type Activities

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

**(Table 5)
Business-Type Activities**

	Total Cost Of Services 2012	Net Cost of Services 2012	Total Cost Of Services 2011	Net Cost of Services 2011
Water	\$310,286	(\$4,253)	\$310,660	\$13,206
Sewer	749,412	193,018	739,649	207,271
Electric	2,093,443	(8,934)	2,320,916	108,837
Other Proprietary	228,970	20,441	255,188	9,513
Total Cash Disbursements	\$3,382,111	\$200,272	\$3,626,413	\$338,827

Program cash receipts provided for 94 percent of the cost of business-type activities in 2012.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

The Village's Funds

The governmental fund most affected by the increase in cash and cash equivalents was the General Fund primarily due to an increase to municipal income tax receipts which when combined with other cash receipts and other sources exceed cash disbursements and other uses. The General Fund balance increased \$188,352.

The Water Fund balance increased \$22,788. The Sewer Fund balance increased \$34,540. The Electric Fund balance increased \$18,065.

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 2012, the Village amended its General Fund budget. Final budgeted receipts increased \$135,415 due to an increase in estimates for municipal income tax and intergovernmental receipts. Final appropriations were \$93,448 greater than original appropriations. Actual receipts and other financing sources were \$1,763 higher than final budgeted receipts.

Final budgeted cash disbursements and other financing uses were \$181,608 higher than final actual cash disbursements and other financing uses primarily due to security of persons and property, leisure time activities, community environment and 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 \$146,366 and \$409,452 in the governmental funds and proprietary funds, respectively.

Debt

At December 31, 2012 the Village's outstanding debt included \$7,123,272 in lease purchases and loans issued for improvements to buildings, equipment and infrastructure. The loans for infrastructure are due to EPA mandates to separate the sanitary and sewer lines. 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(Continued)**

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

Village of Arcanum
Darke County, Ohio
Statement of Net Position - Cash Basis
As of December 31, 2012

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,708,400	\$ 2,793,435	\$ 4,501,835
Restricted Cash and Cash Equivalents	57,720	86,428	144,148
<i>Total Assets</i>	<u>\$ 1,766,120</u>	<u>\$ 2,879,863</u>	<u>\$ 4,645,983</u>
Net Position			
Restricted for:			
Capital Projects	\$ 57,720	\$ -	\$ 57,720
Debt Service	22,767	-	22,767
State Highway	230,915	-	230,915
Street Repair	102,325	-	102,325
Other Purposes	200,807	-	200,807
Customer Deposits	-	86,428	86,428
Unrestricted	1,151,586	2,793,435	3,945,021
<i>Total Net Position</i>	<u>\$ 1,766,120</u>	<u>\$ 2,879,863</u>	<u>\$ 4,645,983</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, 2012

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$ 325,046	\$ 28,316	\$ 57,983	\$ (238,747)	\$ -	\$ (238,747)
Public Health Services	11,444	377	1,027	(10,040)	-	(10,040)
Leisure Time Activities	42,179	12,311	21,597	(8,271)	-	(8,271)
Community Environment	92,876	2,506	7,428	(82,942)	-	(82,942)
Transportation	93,965	30,420	52,995	(10,550)	-	(10,550)
General Government	164,559	4,439	13,161	(146,959)	-	(146,959)
Capital Outlay	146,366	17,648	82,233	(46,485)	-	(46,485)
Debt Service:						
Principal	50,439	-	-	(50,439)	-	(50,439)
Interest	1,159	-	-	(1,159)	-	(1,159)
<i>Total Governmental Activities</i>	<u>928,033</u>	<u>96,017</u>	<u>236,424</u>	<u>(595,592)</u>	<u>-</u>	<u>(595,592)</u>
Business Type Activities						
Water	310,286	314,539	-	-	4,253	4,253
Sewer	749,412	556,394	-	-	(193,018)	(193,018)
Electric	2,093,443	2,102,377	-	-	8,934	8,934
Other Enterprise	228,970	208,529	-	-	(20,441)	(20,441)
<i>Total Business Type Activities</i>	<u>3,382,111</u>	<u>3,181,839</u>	<u>-</u>	<u>-</u>	<u>(200,272)</u>	<u>(200,272)</u>
Total Primary Government	<u>\$ 4,310,144</u>	<u>\$ 3,277,856</u>	<u>\$ 236,424</u>	<u>(595,592)</u>	<u>(200,272)</u>	<u>(795,864)</u>
General Receipts and Transfers						
Property Taxes Levied for:						
General Purposes				56,730	-	56,730
Garbage Levy				8,382	-	8,382
Police Pension				8,599	-	8,599
Fire Equipment Levy				29,400	-	29,400
Municipal Income Taxes				486,631	-	486,631
Grants and Entitlements not Restricted to Specific Programs				88,745	-	88,745
Other Operating Cash Receipts				-	33,284	33,284
Other Non-Operating Cash Receipts				-	26,276	26,276
Proceeds from OWDA Loans				-	199,209	199,209
Proceeds from OPWC Loans				-	22,978	22,978
Interest				24,311	-	24,311
Miscellaneous				94,968	-	94,968
Proceeds from Sale of Assets				9,000	-	9,000
<i>Total General Receipts and Transfers</i>				<u>806,766</u>	<u>281,747</u>	<u>1,088,513</u>
Change in Net Position				211,174	81,475	292,649
<i>Net Position Beginning of Year</i>				<u>1,554,946</u>	<u>2,798,388</u>	<u>4,353,334</u>
<i>Net Position End of Year</i>				<u>\$ 1,766,120</u>	<u>\$ 2,879,863</u>	<u>\$ 4,645,983</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, 2012

	<u>General</u>	<u>All Other Governmental</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,151,586	\$ 556,814	\$ 1,708,400
Restricted Cash and Cash Equivalents	<u> </u>	<u>\$ 57,720</u>	<u>\$ 57,720</u>
<i>Total Assets</i>	<u><u>\$ 1,151,586</u></u>	<u><u>\$ 614,534</u></u>	<u><u>\$ 1,766,120</u></u>
Fund Balances			
Nonspendable	\$ 1,381	\$ -	\$ 1,381
Restricted	-	614,534	614,534
Assigned	14,529	-	14,529
Unassigned	<u>1,135,676</u>	<u>-</u>	<u>1,135,676</u>
<i>Total Fund Balances</i>	<u><u>\$ 1,151,586</u></u>	<u><u>\$ 614,534</u></u>	<u><u>\$ 1,766,120</u></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, 2012

	General	All Other Governmental	Total Governmental Funds
Cash Receipts			
Property Taxes	\$ 56,730	\$ 46,381	\$ 103,111
Municipal Income Taxes	486,631	-	486,631
Intergovernmental	129,953	168,288	298,241
Charges for Services	1,090	80,461	81,551
Special Assessments	-	26,928	26,928
Fines, Licenses and Permits	14,466	-	14,466
Earnings on Investments	16,765	7,546	24,311
Miscellaneous	92,672	2,296	94,968
<i>Total Cash Receipts</i>	<u>798,307</u>	<u>331,900</u>	<u>1,130,207</u>
Cash Disbursements			
Current:			
Security of Persons and Property	258,348	66,698	325,046
Public Health Services	11,214	230	11,444
Leisure Time Activities	4,527	37,652	42,179
Community Environment	92,876	-	92,876
Transportation	-	93,965	93,965
General Government	164,559	-	164,559
Capital Outlay	45,110	101,256	146,366
Debt Service:			
Principal Retirement	11,321	39,118	50,439
Interest and Fiscal Charges	-	1,159	1,159
<i>Total Cash Disbursements</i>	<u>587,955</u>	<u>340,078</u>	<u>928,033</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>210,352</u>	<u>(8,178)</u>	<u>202,174</u>
Other Financing Sources (Uses)			
Transfers In		31,000	31,000
Transfers Out	(31,000)	-	(31,000)
Proceeds from Sale of Assets	9,000	-	9,000
<i>Total Other Financing Sources (Uses)</i>	<u>(22,000)</u>	<u>31,000</u>	<u>9,000</u>
<i>Net Change in Fund Balances</i>	188,352	22,822	211,174
<i>Fund Balances Beginning of Year</i>	<u>963,234</u>	<u>591,712</u>	<u>1,554,946</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,151,586</u>	<u>\$ 614,534</u>	<u>\$ 1,766,120</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budgetary Basis
For the Year Ended December 31, 2012

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$ 66,220	\$ 56,700	\$ 56,730	\$ 30
Municipal Income Taxes	440,941	486,600	486,631	31
Intergovernmental	117,752	128,744	129,953	1,209
Charges for Services	988	1,000	1,090	90
Fines, Licenses and Permits	802	1,850	885	(965)
Earnings on Investments	15,191	15,650	16,765	1,115
Miscellaneous	28,235	115,000	106,253	(8,747)
Total Receipts	670,129	805,544	798,307	(7,237)
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	292,700	292,700	262,040	30,660
Public Health Services	11,214	11,214	11,214	-
Leisure Time Activities	13,100	13,100	4,527	8,573
Community Environment	121,638	132,713	94,667	38,046
General Government	252,492	252,492	173,605	78,887
Capital Outlay	-	82,373	45,610	36,763
Debt Service:				
Principal Retirement	-	-	11,321	(11,321)
Total Disbursements	691,144	784,592	602,984	181,608
Excess of Receipts Over (Under) Disbursements	(21,015)	20,952	195,323	174,371
<u>Other Financing Sources and Uses:</u>				
Transfers In	-	-	-	-
Proceeds from Sale of Assets	-	-	9,000	9,000
Transfers Out	(30,500)	(30,500)	(30,500)	-
Total Other Financing Sources and Uses	(30,500)	(30,500)	(21,500)	9,000
Net Change in Fund Balance	(51,515)	(9,548)	173,823	183,371
Fund Balance Beginning of Year	961,853	961,853	961,853	-
Fund Balance End of Year	<u>\$ 910,338</u>	<u>\$ 952,305</u>	<u>\$ 1,135,676</u>	<u>\$ 183,371</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
As of December 31, 2012

	Business-Type Activities - Enterprise				
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 132,279	\$ 1,175,962	\$ 1,390,405	\$ 94,789	\$ 2,793,435
Restricted Cash and Cash Equivalents	-	-	-	86,428	86,428
<i>Total Assets</i>	<u>132,279</u>	<u>1,175,962</u>	<u>1,390,405</u>	<u>181,217</u>	<u>2,879,863</u>
Fund Net Position					
Restricted for Customer Deposits	-	-	-	86,428	86,428
Unrestricted	132,279	1,175,962	1,390,405	94,789	2,793,435
Total Fund Net Position	<u>\$ 132,279</u>	<u>\$ 1,175,962</u>	<u>\$ 1,390,405</u>	<u>\$ 181,217</u>	<u>\$ 2,879,863</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 Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise				
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	Total Enterprise Funds
Operating Cash Receipts					
Charges for Services	\$ 314,539	\$ 556,394	\$ 2,102,377	\$ 208,529	\$ 3,181,839
Other Operating Receipts	18,535	5,371	9,131	247	33,284
<i>Total Operating Cash Receipts</i>	<u>333,074</u>	<u>561,765</u>	<u>2,111,508</u>	<u>208,776</u>	<u>3,215,123</u>
Operating Cash Disbursements					
Personal Services	109,518	106,185	317,047	4,055	536,805
Travel Transportation	4,155	4,524	10,881	-	19,560
Contractual Services	13,039	38,800	1,601,096	202,104	1,855,039
Supplies and Materials	54,956	17,800	50,515	-	123,271
Capital Outlay	64,876	260,384	82,020	2,172	409,452
<i>Total Operating Cash Disbursements</i>	<u>246,544</u>	<u>427,693</u>	<u>2,061,559</u>	<u>208,331</u>	<u>2,944,127</u>
<i>Excess of Operating Cash Receipts Over Operating Cash Disbursements</i>	86,530	134,072	49,949	445	270,996
Non-Operating Cash Receipts (Cash Disbursements)					
Other Non-Operating Receipts	-	-	-	26,276	26,276
Other Non-Operating Disbursements	-	-	(31,884)	(20,639)	(52,523)
Proceeds of OWDA Loans	-	199,209	-	-	199,209
Proceeds of OPWC Loans	-	22,978	-	-	22,978
Principal Payments	(60,637)	(207,563)	-	-	(268,200)
Interest and Fiscal Charges	(3,105)	(114,156)	-	-	(117,261)
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>(63,742)</u>	<u>(99,532)</u>	<u>(31,884)</u>	<u>5,637</u>	<u>(189,521)</u>
<i>Change in Net Position</i>	22,788	34,540	18,065	6,082	81,475
<i>Net Position Beginning of Year (Restated)</i>	<u>109,491</u>	<u>1,141,422</u>	<u>1,372,340</u>	<u>175,135</u>	<u>2,798,388</u>
<i>Net Position End of Year</i>	<u>\$ 132,279</u>	<u>\$ 1,175,962</u>	<u>\$ 1,390,405</u>	<u>\$ 181,217</u>	<u>\$ 2,879,863</u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. DESCRIPTION OF THE ENTITY

The Village of Arcanum, Darke County, Ohio, and (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.

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). Accounting principles generally accepted in the United States of America 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. 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 position-cash basis and a statement of activities-cash basis, and cash basis fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position-cash basis and the statement of activities-cash basis display information about the Village as a whole. These statements include the financial activities of the primary government. 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 non-exchange 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 position-cash basis presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities-cash basis 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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.

2. 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. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating 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 two categories: governmental and proprietary.

1. Governmental Funds

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

General Fund – This fund is the operating fund of the Village and is used to account for all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

2. 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:

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The primary source of revenue for this fund is charges for services for water usage.

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. The primary source of revenue for this fund is charges for services for sewer usage.

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. The primary source of revenue for this fund is charges for services for electrical usage.

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 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.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2012, 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 Village has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012.

Following Ohio statutes, the Village has specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund, and all other governmental funds during 2012 amounted to \$16,765 and \$7,546, 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position

Net position represents 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 Position. Net position is 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 position is available.

The government-wide statement of net position-cash basis reports \$700,962 in restricted net position, none of which are restricted by enabling legislation.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Village Council.

Un-assigned – Un-assigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 is 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)). At December 31, 2012, there was \$14,529 in encumbrances. As part of the Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that were previously reported as an agency are considered part of the General Fund on a cash basis. This includes the Unclaimed Monies Fund. This fund was excluded from the budgetary presentation for the General Fund.

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.

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;

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

A. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2012, the Village's bank balance of \$4,477,931 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, 2012, the Village had \$600 in un-deposited 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.

B. Investments

As of December 31, 2012, the Village had the following investments and maturities:

	2012	
	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$244,422	< One Year
Total Fair Value	\$244,422	

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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2012 represent the collection of 2011 taxes. Public utility real property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011, 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.

The full tax rate for all Village operations for the year ended December 31, 2012, was \$6.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property:	
Real Estate – Residential/Agricultural	\$29,483,740
Real Estate – All Other	3,174,300
Public Utility – Personal Property	<u>284,850</u>
Total Assessed Value	<u><u>\$32,942,890</u></u>

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2012</u>	<u>Due in One Year</u>
Governmental Activities					
Lease Purchase-Factory Building	\$101,894		\$11,321	\$90,573	\$11,321
OPWC CK38M W. George Street	231,250		12,500	218,750	12,500
Lease Purchase-1988 Pierce Heavy Duty Rescue Truck	<u>26,618</u>		<u>26,618</u>		
Total Governmental Activities	<u>359,762</u>		<u>50,439</u>	<u>309,323</u>	<u>23,821</u>
Business-Type Activities					
OWDA Loan 3770	2,338,166		90,439	2,247,727	91,801
OWDA Loan 3771	920,692		24,199	896,493	25,385
OWDA Loan 4565	157,518		9,102	148,416	9,285
*OWDA Loan 5007	2,201,480	\$199,209	35,425	2,365,264	71,649
OPWC Loan CK619	53,834		21,535	32,299	21,535
OPWC Phase II CK06F	180,000		15,000	165,000	15,000
OPWC CK30C NW Storm	21,250		2,500	18,750	2,500
OPWC Phase III CK02L	777,022	22,978	40,000	760,000	40,000
Artesian of Pioneer/Water Media	210,000		30,000	180,000	30,000
Total Business-Type Activities	<u>6,859,962</u>	<u>222,187</u>	<u>268,200</u>	<u>6,813,949</u>	<u>307,155</u>
Total Debt	<u><u>\$7,219,724</u></u>	<u><u>\$222,187</u></u>	<u><u>\$318,639</u></u>	<u><u>\$7,123,272</u></u>	<u><u>\$330,976</u></u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. DEBT (Continued)

*The beginning amount was restated to show the correct balance as of December 31, 2012 per OWDA.

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 being 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 Ohio Public Works Commission (OPWC) Loan No CK38M relates to the West George Street Project. The OPWC has approved an interest free loan in the amount of \$250,000 for this project. The loan is being repaid in annual installments of \$12,500 over 20 years with final payment July 1, 2030. The loan is being repaid from the Permissive Tax 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 was paid in annual installments of \$27,776 with an interest rate of 4.5%. The lease purchase agreement was for four years with the final payment May 27, 2012. The lease purchase agreement has been paid in full during 2012 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 being 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. In May 2009, it was determined that the full amount would not need to be drawn on the loan. The loan is being repaid in annual installments of \$68,471, including principal and interest at 4.84% with the final payment December 31, 2033. 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 being 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. This loan is being repaid in annual installments of \$106,860, including principal and interest at 1.5%, over 30 years. OWDA loan 5007 is being repaid from the Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan CK619 loan relates to the construction of a new water tower. The OPWC has approved an interest free loan of \$489,000 to the Village for this project. The loan is being repaid in annual installments of \$21,535 over 20 years, with the final payment July 1, 2014. The loan is collateralized by water receipts and is being repaid from the Water Fund.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. DEBT (Continued)

The Ohio Public Works Commission (OPWC) Loan CK06F 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 is being 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.

The Ohio Public Works Commission (OPWC) Loan CK30C 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 is being 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) Loan No CK02L relates to the sanitary sewer phase III. The OPWC has approved a \$500,000 grant with an interest free loan in the amount of \$800,000 for this project. The loan will be repaid in annual installments of \$40,000 over 20 years with final payment July 1, 2030. This project is still ongoing as of December 31, 2012. Draws in the amount of \$22,978 were made on the available balance during the year. The loan is collateralized by the water and sewer receipts and is being repaid from the Sewer Fund.

The Artesian of Pioneer loan relates to emergency action required to repair the water media system. Artesian of Pioneer approved an interest free loan in the amount of \$300,000 for this project. Upon completion of the project a \$30,000 payment was required with the remaining balance to be repaid in annual installments of \$30,000 over a nine year period with final payment February 1, 2018. The loan is collateralized by water receipts and is being repaid from the Water Fund.

Amortization of the above debt is scheduled as follows:

Year Ending December 30,	Business-Type Activities			Year Ending December 30,	Governmental Activities		
	OWDA Loans				OPWC Loans		
	Principal	Interest	Total		Principal	Interest	Total
2013	\$198,120	\$114,806	\$312,926	2013	\$12,500		\$12,500
2014	202,010	110,702	312,712	2014	12,500		12,500
2015	206,003	106,709	312,712	2015	12,500		12,500
2016	210,101	102,611	312,712	2016	12,500		12,500
2017	214,308	98,404	312,712	2017	12,500		12,500
2018-2022	1,138,752	424,808	1,563,560	2018-2022	62,500		62,500
2023-2027	1,250,509	300,844	1,551,353	2023-2027	62,500		62,500
2028-2032	1,340,683	161,842	1,502,525	2028-2032	31,250		31,250
2033-2037	687,644	40,299	727,943	Total	<u>\$218,750</u>	<u>\$0</u>	<u>\$218,750</u>
2038-2040	209,770	3,948	213,718				
Total	<u>\$5,657,900</u>	<u>\$1,464,973</u>	<u>\$7,122,873</u>				

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. DEBT (Continued)

Year Ending December 30,	OPWC Loans			Year Ending December 30,	Lease Purchase - Factory Building		
	Principal	Interest	Total		Principal	Interest	Total
2013	\$79,035		\$79,035	2013	\$11,321		\$11,321
2014	68,264		68,264	2014	11,321		11,321
2015	57,500		57,500	2015	11,321		11,321
2016	57,500		57,500	2016	11,321		11,321
2017	57,500		57,500	2017	11,321		11,321
2018-2022	281,250		281,250	2018-2022	33,968		33,968
2023-2027	215,000		215,000	Total	\$90,573	\$0	\$90,573
2028-2032	160,000		160,000				
Total	\$976,049	\$0	\$976,049				

Year Ending December 30,	Artesian-Pioneer		
	Principal	Interest	Total
2013	\$30,000		\$30,000
2014	30,000		30,000
2015	30,000		30,000
2016	30,000		30,000
2017	30,000		30,000
2018	30,000		30,000
Total	\$180,000	\$0	\$180,000

7. RETIREMENT SYSTEMS

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

A. Ohio Public Employees Retirement System

1. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
 - a. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - b. 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.
 - c. 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.
2. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

3. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
4. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.
5. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The member contribution rates for 2012, 2011, and 2010 were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications and 11.5% and 12.1%, 11.0% and 11.6%, and 10.5% and 11.1% respectively for members in public safety and law enforcement. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.0% and 12.6% respectively.

The employer contribution rates were 14.0%, 14.0%, and 14.0%, respectively, for state and local employers and 18.1%, 18.1%, and 17.87%, respectively for law enforcement and public safety employers for the years ended December 31, 2012, 2011, and 2010 for the Village. The Village's contributions to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$81,380, \$99,472, and \$96,639, respectively, which were equal to the required contributions for those years.

B. 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, 2012, 2011 and 2010 were \$28,980, \$27,606, and \$27,735, respectively; or 100% of the required contributions for those years.

8. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

1. 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

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-employment 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

2. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.1%. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2012 and 2011, the employer contributions allocated to the health care for members in the Traditional was 4.0%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. For 2010, the employer contributions allocated to the health care plan from January 1 through February 28, 2010 and March 1 through December 31, 2010 were 5.5% and 5.0%, respectively. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

3. The employer contributions that were used to fund post-employment benefits were \$23,250 for 2012, \$36,114 for 2011, \$37,570 for 2010, which were equal to the required contributions for each year.
4. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period

6. 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 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. That report is also available on OP&F's website at www.op-f.org.

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.

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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

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, 2012, 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 to OP&F for the years ended December 31, 2012, 2011, and 2010 allocated to the healthcare plan were \$10,027, \$9,552, and \$7,794, respectively.

9. RISK MANAGEMENT

A. 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 Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

9. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

B. 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 Anthem Blue Cross Blue Shield of Ohio.

10. JOINT VENTURES WITH EQUITY INTEREST

A. 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 position 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2012, the Village had met its debt coverage obligation.

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 \$82,084 at December 31, 2012. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or the State Auditor's website at www.ohioauditor.gov.

Amortization of the Participant's percentage share of debt as follows as of December 31, 2012:

	<u>Principal</u>	<u>Interest</u>	<u>Refunding</u>	<u>Total</u>
2013	\$ 42,882	\$ 32,953	\$ 11,536	\$ 87,371
2014	44,982	30,757	11,530	87,269
2015	47,292	28,450	11,539	87,281
2016	50,820	25,997	11,692	88,509
2017	52,206	23,422	11,495	87,123
2018-2022	302,652	74,227	57,286	434,165
2023-2027	215,661	209,723	64,658	490,042
2028-2030	44,445	151,947	29,852	226,244
Total	<u>\$ 800,940</u>	<u>\$ 577,476</u>	<u>\$ 209,588</u>	<u>\$ 1,588,004</u>

B. 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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 position 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. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2012, the outstanding debt was \$20,030,648. The Village's net investment in OMEGA JV2 was \$8,592 at December 31, 2012. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership share at December 31, 2012 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Hamilton	23.87%	\$32,000	Grafton	0.79%	\$1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.48%	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	0.80%	1,066	Custar	0.00%	4
	<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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

C. 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 years ended December 31, 2012 and 2011 for these enterprises are indicated below:

Calculation of JV5 Debt Coverage

	2012	2011
Operating Income	\$ 49,949	\$ 17,017
JV5 Debt Service (Included above as operating expenses to Amp Ohio)	88,242	87,762
KWH Tax from General Fund	-	-
Adjusted Operating Income Available for Debt Service	<u>138,191</u>	<u>104,779</u>
OMEGA JV5 Debt Service (paid by Amp Ohio)	88,242	87,762
Other Electric System Debt Service	-	-
Total Electric System Debt	<u>\$ 88,242</u>	<u>\$ 87,762</u>
Coverage (Covenants require 110% coverage of all debt)	157%	119%

As of December 31, 2012	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$ 2,102,377	\$ 1,079,462	\$ 3,181,839
Other Operating Receipts	9,131	24,153	33,284
Total Operating Cash Receipts	2,111,508	1,103,615	3,215,123
Operating Cash Disbursements:			
Personal Services	317,047	219,758	536,805
Travel Transportation	10,881	8,679	19,560
Contractual Services	1,601,096	253,943	1,855,039
Supplies and Materials	50,515	72,756	123,271
Capital Outlay	82,020	327,432	409,452
Total Operating Cash Disbursements	2,061,559	882,568	2,944,127
Operating Receipts Over (Under) Operating Disbursements	49,949	221,047	270,996
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Receipts	-	26,276	26,276
Other Nonoperating Disbursements	(31,884)	(20,639)	(52,523)
Proceeds of OWDA	-	199,209	199,209
Proceeds of OPWC	-	22,978	22,978
Principal Payments	-	(268,200)	(268,200)
Interest and Fiscal Charges	-	(117,261)	(117,261)
Total Non-Operating Receipts/(Disbursements)	(31,884)	(157,637)	(189,521)
Change in Net Position	18,065	63,410	81,475
Net Position - Cash Basis, January 1	1,372,340	1,426,048	2,798,388
Net Position - Cash Basis, December 31	<u>\$ 1,390,405</u>	<u>\$ 1,489,458</u>	<u>\$ 2,879,863</u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2011

	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$ 2,212,079	\$ 1,075,507	\$ 3,287,586
Other Operating Receipts	94,868	21,909	116,777
Total Operating Cash Receipts	2,306,947	1,097,416	3,404,363
Operating Cash Disbursements:			
Personal Services	376,131	299,054	675,185
Travel Transportation	15,726	13,022	28,748
Contractual Services	1,575,647	216,380	1,792,027
Supplies and Materials	89,831	108,978	198,809
Capital Outlay	232,595	248,945	481,540
Total Operating Cash Disbursements	2,289,930	886,379	3,176,309
Operating Receipts Over (Under) Operating Disbursements	17,017	211,037	228,054
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Receipts	-	25,754	25,754
Other Nonoperating Disbursements	(30,986)	(19,229)	(50,215)
Proceeds of OWDA	-	60,969	60,969
Proceeds of OPWC	-	32,829	32,829
Principal Payments	-	(271,470)	(271,470)
Interest and Fiscal Charges	-	(128,419)	(128,419)
Total Non-Operating Receipts/(Disbursements)	(30,986)	(299,566)	(330,552)
Net Receipts Before Interfund Transfers and Advances	(13,969)	(88,529)	(102,498)
Transfers and Advances:			
Transfers - Out	(73,426)	-	(73,426)
Transfers - In	-	55,470	55,470
Advances - Out	-	(7,500)	(7,500)
Total Transfers and Advances	(73,426)	47,970	(25,456)
Change in Net Position	(87,395)	(40,559)	(127,954)
Net Position - Cash Basis, January 1	1,447,088	1,479,254	2,926,342
Net Position - Cash Basis, December 31	\$ 1,359,693	\$ 1,438,695	\$ 2,798,388

See also Restatement Note 17.

11. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended December 31, 2012 were as follows:

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

11. INTERFUND ACTIVITY (Continued)

Major Fund:	Transfers Out	Transfers In
General Fund	\$ 31,000	
Total Major Fund	31,000	-
Non-Major Funds:		
Fire Fund	-	15,000
Community Pool Fund	-	15,500
West First Street Reconstruction Fund	-	500
Total Non-Major Funds	-	31,000
Total	\$ 31,000	\$ 31,000

The transfers to the Fire Fund, West First Street Reconstruction Fund and the Community Pool Fund are to cover necessary expenses.

12. CONTINGENT LIABILITIES

A. Litigation

The Village is not currently party to any legal proceedings.

B. Federal and State Grants

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

13. INCOME TAX

The Village levies a municipal income tax of 1% on all salaries, wages, commissions and other compensation; on net profits earned within the Village; and on incomes of residents earned outside of the Village for the purpose of operating expenses of the Village.

Employers within the Village are required to withhold income tax on employees' compensation and remit the tax to the Village. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue has been reported as revenue in the General Fund. Income tax revenue for 2012 was \$486,631.

14. CHANGES IN ACCOUNTING PRINCIPLES

For 2012 the Village implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

14. CHANGES IN ACCOUNTING PRINCIPLES (Continued)

Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

15. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	All Other Governmental	Total Governmental Funds
Nonspendable			
Unclaimed Monies	\$1,381	\$0	\$1,381
Restricted for			
Other Purposes	0	200,807	200,807
Street Repair	0	102,325	102,325
State Highway	0	230,915	230,915
Debt Services Payments	0	22,767	22,767
Capital Improvements	0	57,720	57,720
Total Restricted	<u>0</u>	<u>614,534</u>	<u>614,534</u>
Assigned			
Other Purposes	14,529	0	14,529
Unassigned (Deficit)	<u>1,135,676</u>	<u>0</u>	<u>1,135,676</u>
Total Fund Balances	<u>\$1,151,586</u>	<u>\$614,534</u>	<u>\$1,766,120</u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

16. SUBSEQUENT EVENTS

In February 2013, the Village issued bonds in the amount of \$70,000 for the purchase of a Fire Truck. The bonds have an interest rate of 2.75% and will mature in 2017.

Additionally, the Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 2,237 kilowatts of a total 771,281 kilowatts, giving the Village a 0.29 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$384,570. The Village received a credit of \$56,955 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$101,168 related to the AMPGS costs deemed to have future benefit for the project participants, and made payments of \$300,000 leaving a net credit balance of impaired cost estimate of \$73,553. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable.

17. PRIOR PERIOD RESTATEMENT

In the prior period, the Village had reported activity related to the Water Meter, Sewer Meter, and Electric Meter Funds as part of Other Enterprise Funds. In order to properly classify the activity, those funds have been reported with the respective enterprise fund. The implementation of this change requires a restatement of prior period's net position:

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds
Net Position - December 31, 2011	\$107,596	\$1,095,253	\$1,359,693	\$235,846
Prior Period Restatement	1,895	46,169	12,647	(60,711)
Restated Net Position - December 31, 2011	<u>\$109,491</u>	<u>\$1,141,422</u>	<u>\$1,372,340</u>	<u>\$175,135</u>



Dave Yost • Auditor of State

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

Village of Arcanum
Darke County
104 West South Street
Arcanum, Ohio 45304

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 20, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2014

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness – Financial Statement Misstatements

The Village's financial statements for 2013 and 2012 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity as follows:

- In 2013, General Fund property tax receipts were overstated by \$10,378 and fines, licenses, and permits receipts were understated by \$10,378 because cable franchise fee receipts were erroneously reported as property tax receipts. This error also resulted in governmental activities program cash receipts to be understated by \$10,378 and general receipts to be overstated by \$10,378.
- In 2012, General Fund miscellaneous receipts were overstated by \$13,581 and fines, licenses, and permits receipts were understated by \$13,581 because cable franchise fee receipts were erroneously reported as miscellaneous receipts. This error also resulted in governmental activities program cash receipts to be understated by \$13,581 and general receipts to be overstated by \$13,581.
- In 2013 and 2012, Street Fund (Other Governmental Fund) special assessments receipts were erroneously reported as intergovernmental receipts instead of as special assessments receipts in the amounts of \$27,221 and \$26,928, respectively.
- In 2013 and 2012, the portion of the municipal electric tax to be credited to the General Fund was erroneously reported as transfers in instead of as miscellaneous receipts in the amounts of \$67,279 and \$75,092, respectively. These errors also caused the same misstatement in governmental activities. This activity was originally erroneously reported as receipts and transfers out in the Electric Fund, while it should have been reported in the General Fund only. As a result, 2013 Electric Fund charges for services receipts, other operating receipts, and transfers out were overstated by \$5,271, \$62,008, and \$67,279, respectively. In 2012, Electric Fund other operating receipts and transfers out were overstated by \$75,092. These errors also caused the same misstatement in business-type activities.
- In 2013 and 2012, the fund cash balance for the Harvest Fields LLC Escrow Fund within Other Governmental Funds was erroneously reported as unrestricted cash. Because that money is restricted for the purpose of sidewalk construction in the Harvest Fields subdivision, the year-end fund cash balances in the amounts of \$57,828 and \$57,720, respectively should have been reported as restricted cash on the entity wide and fund-level statements.
- In 2013 and 2012, the fund cash balances for the Garbage Deposit and Utilities Deposit Funds within Other Enterprise Funds were erroneously reported as unrestricted cash. Because that money is restricted to the purpose of covering customer utility deposits, the year-end fund cash balances of \$18,457 and \$82,289 and \$23,547 and \$62,881 for 2013 and 2012, respectively, should have been reported as restricted cash on the entity wide and fund level business-type statements. Additionally, net position for these amounts should have been reported as restricted for customer deposits instead of as unrestricted fund net position.

**FINDING NUMBER 2013-001
(Continued)**

- In 2013 and 2012, the Village erroneously reported activity for the Water Meter, Sewer Meter, and Electric Meter Funds as Other Enterprise Funds instead of reporting the activity within the respective Water, Sewer, or Electric Funds. As a result, Water, Sewer, and Electric receipts, disbursements, and fund cash balances were understated. In 2013, Water Fund receipts, disbursements, and fund cash balances were understated by \$12,336, \$12,232, and \$2,553; Sewer Fund receipts, disbursements, and fund cash balances were understated by \$13,689, \$97, and \$71,783; and Electric Fund receipts, disbursements, and fund cash balances were overstated by \$19,306, \$11,910, and \$32,608, respectively. In 2012, Water Fund receipts, disbursements, and fund cash balances were understated by \$12,146, \$11,592, and \$2,449; Sewer Fund receipts, disbursements, and fund cash balances were understated by \$13,576, \$1,554, and \$58,191; and Electric Fund receipts, disbursements, and fund cash balances were overstated by \$18,986; \$6,421; and \$25,212, respectively. Other Enterprise Funds receipts, disbursements, and fund cash balances were overstated by these amounts in 2013 and 2012. These errors also caused the same misstatements in Business-Type Activities on the entity wide statement.
- In 2013, the General Fund budgetary statement included misstatements in which final budgeted receipts were misclassified between receipt line item and understated in total by \$113,150 and final budgeted expenditures were misclassified between expenditure line item and were understated in total by \$162,906. Additionally, General Fund original budgeted expenditures were misclassified between expenditure line item and understated in total by \$41,270, and original budgeted transfers were understated by \$26,381.
- In 2012, the General Fund budgetary statement included misstatements in which final budgeted receipts were misclassified between receipt line item and final budgeted expenditures were misclassified between expenditure line item and were understated in total by \$170,492. Additionally, General Fund original budgeted expenditures were misclassified between expenditure line item and understated in total by \$77,044.

The accompanying financial statements have been adjusted for these errors.

Failure to review the Village's annual financial statements could result in materially misstated financial statements and misleading financial information. The Village should implement procedures, including review by officials other than the preparer, to identify and correct all significant errors in the annual financial statements.

Officials' Response:

We did not receive a response from Village Officials to this finding.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to exceed an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** - The Village may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly encumber four of forty (10%) expenditures tested for 2013 and 2012 and the aforementioned exceptions were not utilized. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Additionally, the Village did not have a formal policy in place to set a maximum amount for blanket purchase orders.

**FINDING NUMBER 2013-002
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

We did not receive a response from Village Officials to this finding.



Dave Yost • 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
DECEMBER 16, 2014**