



Dave Yost • Auditor of State

VILLAGE OF ARCANUM
DARKE COUNTY
DECEMBER 31, 2017

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Arcanum
Darke County
P.O. Box 398
Arcanum, Ohio 45304

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Arcanum, Darke County, Ohio (the Village) as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 such 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Arcanum, Darke County as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, 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

May 15, 2018

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Village of Arcanum, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|--------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$123,844 | \$68,288 | \$0 | \$192,132 |
| Municipal Income Tax | 579,373 | 0 | 0 | 579,373 |
| Intergovernmental | 95,324 | 178,170 | 0 | 273,494 |
| Special Assessments | 0 | 0 | 37,741 | 37,741 |
| Charges for Services | 27,772 | 81,056 | 0 | 108,828 |
| Fines, Licenses and Permits | 15,013 | 0 | 0 | 15,013 |
| Earnings on Investments | 7,169 | 3,072 | 100 | 10,341 |
| Miscellaneous | 21,779 | 8,044 | 0 | 29,823 |
| <i>Total Cash Receipts</i> | <u>870,274</u> | <u>338,630</u> | <u>37,841</u> | <u>1,246,745</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 307,436 | 77,359 | 0 | 384,795 |
| Public Health Services | 9,941 | 0 | 0 | 9,941 |
| Leisure Time Activities | 1,838 | 42,359 | 0 | 44,197 |
| Community Environment | 85,700 | 0 | 0 | 85,700 |
| Transportation | 0 | 88,998 | 0 | 88,998 |
| General Government | 182,877 | 0 | 0 | 182,877 |
| Capital Outlay | 33,766 | 684,637 | 6,236 | 724,639 |
| Debt Service: | | | | |
| Principal Retirement | 18,706 | 12,500 | 20,333 | 51,539 |
| Interest and Fiscal Charges | 2,686 | 0 | 0 | 2,686 |
| <i>Total Cash Disbursements</i> | <u>642,950</u> | <u>905,853</u> | <u>26,569</u> | <u>1,575,372</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>227,324</u> | <u>(567,223)</u> | <u>11,272</u> | <u>(328,627)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Proceeds from Loan | 0 | 221,989 | 0 | 221,989 |
| Sale of Capital Assets | 0 | 3,650 | 0 | 3,650 |
| Transfers In | 0 | 266,890 | 63 | 266,953 |
| Transfers Out | (286,953) | 0 | 0 | (286,953) |
| Advances In | 45,159 | 37,159 | 0 | 82,318 |
| Advances Out | (37,159) | (37,159) | 0 | (74,318) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(278,953)</u> | <u>492,529</u> | <u>63</u> | <u>213,639</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(51,629)</u> | <u>(74,694)</u> | <u>11,335</u> | <u>(114,988)</u> |
| <i>(Restated) Fund Cash Balances, January 1</i> | <u>1,281,329</u> | <u>652,883</u> | <u>70,598</u> | <u>2,004,810</u> |
| Fund Cash Balances, December 31 | | | | |
| Nonspendable | 1,381 | 0 | 0 | 1,381 |
| Restricted | 0 | 578,189 | 81,933 | 660,122 |
| Assigned | 2,800 | 0 | 0 | 2,800 |
| Unassigned | 1,225,519 | 0 | 0 | 1,225,519 |
| <i>Fund Cash Balances, December 31</i> | <u>\$1,229,700</u> | <u>\$578,189</u> | <u>\$81,933</u> | <u>\$1,889,822</u> |

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

Village of Arcanum, Ohio
Darke County
**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)**
All Proprietary Fund Types
For the Year Ended December 31, 2017

| | Proprietary Fund Type |
|--|--------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Charges for Services | \$3,842,567 |
| Miscellaneous | 18,702 |
| | <u>3,861,269</u> |
| <i>Total Operating Cash Receipts</i> | |
| Operating Cash Disbursements | |
| Personal Services | 573,434 |
| Contractual Services | 2,291,738 |
| Supplies and Materials | 185,043 |
| | <u>3,050,215</u> |
| <i>Total Operating Cash Disbursements</i> | |
| <i>Operating Cash Receipts Over (Under)</i> | |
| <i>Operating Cash Disbursements</i> | <u>811,054</u> |
| Non-Operating Cash Receipts (Disbursements) | |
| Proceeds from Loan | 1,289,322 |
| Miscellaneous Receipts | 11,021 |
| Capital Outlay | (849,157) |
| Principal Retirement | (301,808) |
| Interest and Other Fiscal Charges | (98,530) |
| OWDA Interest Subsidy | 6,675 |
| Miscellaneous Disbursements | (36,792) |
| | <u>20,731</u> |
| <i>Total Non-Operating Cash Receipts (Disbursements)</i> | |
| <i>Cash Receipts Over (Under)</i> | |
| <i>Cash Disbursements Before Transfers and Advances</i> | 831,785 |
| Transfers In | 20,000 |
| Advances Out | (8,000) |
| | <u>12,000</u> |
| <i>Total Transfers and Advances</i> | |
| <i>Net Change in Fund Cash Balances</i> | 843,785 |
| <i>Fund Cash Balances, January 1</i> | <u>3,381,050</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$4,224,835</u> |

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

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1. DESCRIPTION OF THE ENTITY

The Village of Arcanum, Darke County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, refuse services, park operations (leisure time activities), and police and fire services.

The Village participates in joint ventures. Note 11 to the financial statements provides additional information for these entities.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary types which are organized on a fund type basis.

Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The Village classifies its funds into the following types:

General Fund

The general fund accounts for and reports 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.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Fund

This fund receives the proceeds of contractual services for providing fire protection to local governments.

Fire Equipment Levy Fund

This fund is used to accumulate resources for the payment of bond debt for the purchase of fire equipment.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Highland Subdivision Resurfacing Fund

This fund is used to account for all financial resources and expenses associated with the resurfacing of streets within the Highland Subdivision in the Village.

Enterprise Funds

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

Water Fund

This fund 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.

Sewer Fund

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

Electric Fund

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is *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

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$804,506 | \$915,433 | \$110,927 |
| Special Revenue | 836,202 | 868,318 | 32,116 |
| Capital Projects | 40,100 | 37,904 | (2,196) |
| Enterprise | 4,728,985 | 5,188,287 | 459,302 |
| Total | \$6,409,793 | \$7,009,942 | \$600,149 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,026,868 | \$969,862 | \$57,006 |
| Special Revenue | 979,293 | 943,012 | 36,281 |
| Capital Projects | 47,122 | 26,569 | 20,553 |
| Enterprise | 4,343,877 | 4,343,877 | 0 |
| Total | \$6,397,160 | \$6,283,320 | \$113,840 |

NOTE 4. DEPOSITS AND INVESTMENTS

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

| | |
|--------------------------------|-------------|
| | 2017 |
| Demand deposits | \$3,105,419 |
| Certificates of deposit | 2,760,000 |
| Cash on Hand | 432 |
| Total deposits | 5,865,851 |
| STAR Ohio | 248,806 |
| Total investments | 248,806 |
| Total deposits and investments | \$6,114,657 |

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 5. TAXES

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 6. DEBT

Debt outstanding at December 31, 2017 was as follows:

| | Balance 12/31/2016 | Additions | Deletions | Balance 12/31/2017 |
|---------------------------------|-----------------------|---------------------|-------------------|-----------------------|
| <u>Governmental Funds</u> | | | | |
| Lease Purchase-Factory Building | \$ 40,999 | \$ - | \$ 9,640 | \$ 31,359 |
| OPWC CK38M W. George Street | 168,750 | - | 12,500 | 156,250 |
| Police Cruiser | 27,197 | - | 9,066 | 18,131 |
| OPWC S. Main Street CT20Q | 579,500 | - | 20,333 | 559,167 |
| Fire Truck | - | 221,989 | - | 221,989 |
| Total Governmental Activities | <u>816,446</u> | <u>221,989</u> | <u>51,539</u> | <u>986,896</u> |
| <u>Enterprise Funds</u> | | | | |
| OWDA Loan 3770 | 1,872,147 | - | 97,456 | 1,774,691 |
| OWDA Loan 3771 | 787,245 | - | 30,736 | 756,509 |
| OWDA Loan 4565 | 110,142 | - | 10,054 | 100,088 |
| OWDA Loan 5007 | 2,072,133 | - | 76,062 | 1,996,071 |
| OPWC Phase II CK06F | 105,000 | - | 15,000 | 90,000 |
| OPWC CK30C NW Storm | 8,750 | - | 2,500 | 6,250 |
| OPWC Phase III CK02L | 600,000 | - | 40,000 | 560,000 |
| Artesian of Pioneer/Water Media | 60,000 | - | 30,000 | 30,000 |
| USDA Loan | | 1,289,322 | | 1,289,322 |
| Total Business-Type Activities | <u>5,615,417</u> | <u>1,289,322</u> | <u>301,808</u> | <u>6,602,931</u> |
| Total Debt | <u>\$ 6,431,863</u> | <u>\$ 1,511,311</u> | <u>\$ 353,347</u> | <u>\$ 7,589,827</u> |

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 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, including principal and interest at 4.1%, over 15 years with the final payment March 4, 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 at 4.84% with the final payment scheduled on 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 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 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. 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.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 6. DEBT (Continued)

The Ohio Public Works Commission (OPWC) Loan No. CT20Q relates to the South Main Street Reconstruction project. The OPWC has approved a \$500,000 grant with an interest free loan in the amount of \$610,000 for this project. The loan is being repaid in annual installments of \$20,333 over 30 years with final payment July 1, 2045. The loan is being repaid from the South Main Street Reconstruction Fund.

The police cruiser loan was for the purpose of purchasing a new police cruiser. Greenville National Bank approved a four year loan bearing an interest rate of 2.75%. The loan will mature in 2019. This loan is being paid from the General Fund.

The United State Department of Agriculture (USDA) Loan relates to the Waste Water Treatment Plant project. The Waste Water Treatment Plan project started in August 2017. After contractor requests are approved by the USDA, amounts are sent to the Village. The Village then pays the contractor. As of December 31, 2017, \$1,289,322 of the loan proceeds have been sent to the Village for the project. The project is expected to be completed in May of 2019. No amortization schedule has been set.

The fire truck loan was for the purpose of purchasing a fire truck. Second National Bank approved a 9 year loan bearing an interest rate of 3.46%. The loan will mature in 2026. This loan will be repaid from the Fire Equipment Levy Fund.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 6. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

| Enterprise Funds | | | | Governmental Funds | | | |
|------------------|------------------|------------|--------------|--------------------|-----------------------------------|-----------|------------|
| Year Ending | OWDA Loans | | | Year Ending | OPWC Loans | | |
| December 30, | Principal | Interest | | December 30, | Principal | Interest | Total |
| 2018 | \$ 218,628 | \$ 94,084 | \$ 312,712 | 2018 | \$ 32,833 | \$ - | \$ 32,833 |
| 2019 | 223,065 | 89,646 | 312,711 | 2019 | 32,833 | - | 32,833 |
| 2020 | 227,624 | 85,087 | 312,711 | 2020 | 32,833 | - | 32,833 |
| 2021 | 232,309 | 80,403 | 312,712 | 2021 | 32,833 | - | 32,833 |
| 2022 | 237,125 | 75,587 | 312,712 | 2022 | 32,833 | - | 32,833 |
| 2023-2027 | 1,250,510 | 300,844 | 1,551,354 | 2023-2027 | 164,165 | - | 164,165 |
| 2028-2032 | 1,340,681 | 161,842 | 1,502,523 | 2028-2032 | 132,915 | - | 132,915 |
| 2033-2037 | 687,644 | 40,299 | 727,943 | 2033-2037 | 101,665 | - | 101,665 |
| 2038-2042 | 209,773 | 3,948 | 213,721 | 2038-2042 | 101,665 | - | 101,665 |
| Total | \$ 4,627,359 | \$ 931,740 | \$ 5,559,099 | 2043-2045 | 61,000 | - | 61,000 |
| | | | | Total | \$ 725,575 | \$ - | \$ 725,575 |
| Year Ending | OPWC Loans | | | Year Ending | Lease Purchase - Factory Building | | |
| December 30, | Principal | Interest | Total | December 30, | Principal | Interest | Total |
| 2018 | \$ 57,500 | \$ - | \$ 57,500 | 2018 | \$ 10,036 | \$ 1,285 | \$ 11,321 |
| 2019 | 57,500 | - | 57,500 | 2019 | 10,447 | 874 | 11,321 |
| 2020 | 56,250 | - | 56,250 | 2020 | 10,876 | 445 | 11,321 |
| 2021 | 55,000 | - | 55,000 | Total | \$ 31,359 | \$ 2,604 | \$ 33,963 |
| 2022 | 55,000 | - | 55,000 | | | | |
| 2023-2027 | 215,000 | - | 215,000 | Year Ending | Police Cruiser Loan | | |
| 2028-2032 | 160,000 | - | 160,000 | December 30, | Principal | Interest | Total |
| Total | \$ 656,250 | \$ - | \$ 656,250 | 2018 | \$ 9,066 | \$ 499 | \$ 9,565 |
| | | | | 2019 | 9,065 | 249 | 9,314 |
| Year Ending | Artesian-Pioneer | | | Total | \$ 18,131 | \$ 748 | \$ 18,879 |
| December 30, | Principal | Interest | Total | | | | |
| 2018 | \$ 30,000 | \$ - | \$ 30,000 | Year Ending | Fire Truck Loan | | |
| Total | \$ 30,000 | \$ - | \$ 30,000 | December 30, | Principal | Interest | Total |
| | | | | 2018 | \$ 20,088 | \$ 9,238 | \$ 29,326 |
| | | | | 2019 | 22,340 | 6,986 | 29,326 |
| | | | | 2020 | 23,096 | 6,230 | 29,326 |
| | | | | 2021 | 23,912 | 5,414 | 29,326 |
| | | | | 2022 | 24,740 | 4,586 | 29,326 |
| | | | | 2023-2026 | 107,813 | 9,492 | 117,305 |
| | | | | Total | \$ 221,989 | \$ 41,946 | \$ 263,935 |

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

NOTE 8. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

NOTE 9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

NOTE 10. CONTINGENT LIABILITIES

Litigation

The Village is not currently party to any legal proceedings.

Federal and State Grants

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

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST

OMEGA JV5

The Village is a Financing Participant with an ownership percentage of 0.84 percent, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed, or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System.

On dissolution of OMEGA JV5, the net 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, 2017, 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 a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP 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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable had been reduced at December 31, 2016 to \$0.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates (“2016 Certificates”) in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village’s net investment to date in OMEGA JV5 was \$25,098 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor’s website at www.ohioauditor.gov.

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, 2017, the outstanding debt was \$4,142,633. The Village’s net investment in OMEGA JV2 was \$3,013 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor’s website at www.ohioauditor.gov.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

The thirty-six participating subdivisions and their respective ownership share at December 31, 2017 are:

| Municipality | Percent Ownership | KW Entitlement | Municipality | Percent Ownership | KW Entitlement |
|----------------|-------------------|----------------|----------------|-------------------|----------------|
| Hamilton | 23.87% | 32,000 | Grafton | 0.79% | 1,056 |
| Bowling Green | 14.32% | 19,198 | Brewster | 0.75% | 1,000 |
| Niles | 11.48% | 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 | <u>0.80%</u> | <u>1,066</u> | Custar | <u>0.00%</u> | <u>4</u> |
| | <u>95.2%</u> | <u>127,640</u> | | <u>4.80%</u> | <u>6,441</u> |
| | | | Grand Total | <u>100.00%</u> | <u>134,081</u> |

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

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, 2017 and 2016 for these enterprises are indicated below:

Calculation of JV5 Debt Coverage

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Operating Income | \$ 164,172 | \$ 292,902 |
| JV5 Debt Service (Included below as cash disbursements to Amp Ohio) | 75,736 | 75,755 |
| KWH Tax from General Fund | - | - |
| Adjusted Operating Income Available for Debt Service | <u>239,908</u> | <u>368,657</u> |
| OMEGA JV5 Debt Service (paid by Amp Ohio) | <u>75,736</u> | <u>75,755</u> |
| Other Electric System Debt Service | - | - |
| Total Electric System Debt | <u>\$ 75,736</u> | <u>\$ 75,755</u> |
| Coverage (Convenants require 110% coverage of all debt) | 317% | 486% |

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2017:

| | Electric Fund | Other Proprietary Funds | Total Proprietary Funds |
|---|----------------------------|--|--|
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 2,547,439 | \$ 1,295,128 | \$ 3,842,567 |
| Other Operating Receipts | 9,000 | 9,702 | 18,702 |
| Total Operating Cash Receipts | <u>2,556,439</u> | <u>1,304,830</u> | <u>3,861,269</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 315,577 | 257,857 | 573,434 |
| Contractual Services | 1,982,441 | 309,297 | 2,291,738 |
| Supplies and Materials | 74,891 | 110,152 | 185,043 |
| Total Operating Cash Disbursements | <u>2,372,909</u> | <u>677,306</u> | <u>3,050,215</u> |
| Operating Receipts Over (Under) Operating Disbursements | 183,530 | 627,524 | 811,054 |
| Non-Operating Cash Receipts (Cash Disbursements): | | | |
| Other Nonoperating Receipts | 11,021 | - | 11,021 |
| Other Nonoperating Disbursements | (28,537) | (8,255) | (36,792) |
| Capital Outlay | (27,760) | (821,397) | (849,157) |
| OWDA Interest Subsidy | - | 6,675 | 6,675 |
| Proceeds from Loan | - | 1,289,322 | 1,289,322 |
| Principal Payments | - | (301,808) | (301,808) |
| Interest and Fiscal Charges | - | (98,530) | (98,530) |
| Total Non-Operating Receipts/(Disbursements) | <u>(45,276)</u> | <u>66,007</u> | <u>20,731</u> |
| Net Receipts Before Interfund Advances and Transfers | 138,254 | 693,531 | 831,785 |
| Transfers - In | - | 20,000 | 20,000 |
| Advances - Out | - | (8,000) | (8,000) |
| Total Advances and Transfers | <u>-</u> | <u>12,000</u> | <u>12,000</u> |
| Change in Net Position | 138,254 | 705,531 | 843,785 |
| Net Position - Cash Basis, January 1 | <u>2,160,302</u> | <u>1,220,748</u> | <u>3,381,050</u> |
| Net Position - Cash Basis, December 31 | <u><u>\$ 2,298,556</u></u> | <u><u>\$ 1,926,279</u></u> | <u><u>\$ 4,224,835</u></u> |

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2016:

| | Electric Fund | Other Proprietary Funds | Total Proprietary Funds |
|--|--------------------------|--|--|
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 2,549,655 | \$ 1,122,436 | \$ 3,672,091 |
| Other Operating Receipts | 8,450 | 2,949 | 11,399 |
| Total Operating Cash Receipts | 2,558,105 | 1,125,385 | 3,683,490 |
| Operating Cash Disbursements: | | | |
| Personal Services | 268,482 | 222,641 | 491,123 |
| Contractual Services | 1,870,969 | 576,616 | 2,447,585 |
| Supplies and Materials | 105,516 | 105,933 | 211,449 |
| Capital Outlay | 0 | - | - |
| Total Operating Cash Disbursements | 2,244,967 | 905,190 | 3,150,157 |
| Operating Receipts Over (Under) Operating Disbursements | 313,138 | 220,195 | 533,333 |
| Non-Operating Cash Receipts (Cash Disbursements): | | | |
| Other Nonoperating Receipts | - | 3,959 | 3,959 |
| Other Nonoperating Disbursements | (29,629) | (14,155) | (43,784) |
| Capital Outlay | (26,012) | (150,871) | (176,883) |
| OWDA Interest Subsidy | - | 6,918 | 6,918 |
| Principal Payments | - | (297,601) | (297,601) |
| Interest and Fiscal Charges | - | (99,242) | (99,242) |
| Total Non-Operating Receipts/(Disbursements) | (55,641) | (550,992) | (606,633) |
| Net Receipts Before Interfund Advances | 257,497 | (330,797) | (73,300) |
| Transfers: | | | |
| Transfers - Out | - | 40,000 | 40,000 |
| Transfers - In | - | 32,000 | 32,000 |
| Advances Out | - | (8,000) | (8,000) |
| Total Advances and Transfers | - | 64,000 | 64,000 |
| Change in Net Position | 257,497 | (266,797) | (9,300) |
| Net Position - Cash Basis, January 1 | 1,902,805 | 1,487,545 | 3,390,350 |
| Net Position - Cash Basis, December 31 | \$ 2,160,302 | \$ 1,220,748 | \$ 3,381,050 |

As more fully described in the previous paragraphs, 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

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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. Since March 31, 2014, the Village’s allocation of additional costs incurred by the project is \$2,973, and interest credited to the Village has been \$1,054, resulting in a net credit balance at December 31, 2017 of \$71,634. During 2017, the Village made no payments to AMP toward its net impaired cost estimate.

12. 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 governmental funds are presented below:

| Fund Balances | General Fund | Special Revenue | Capital Projects | Total |
|---------------------------------|---------------------|--------------------|---------------------|---------------------|
| <u><i>Nonspendable</i></u> | | | | |
| Unclaimed Monies | \$ 1,381 | \$ - | \$ - | \$ 1,381 |
| <i>Total Nonspendable</i> | 1,381 | - | - | 1,381 |
| <u><i>Restricted for</i></u> | | | | |
| Road Maintenance & Improvements | - | 464,163 | - | 464,163 |
| Police Operations | - | 4,286 | - | 4,286 |
| Fire Operations | - | 60,025 | - | 60,025 |
| Police and Fire Pension | - | 12,198 | - | 12,198 |
| Parks and Pool | - | 15,230 | - | 15,230 |
| Fire Equipment | - | 22,287 | - | 22,287 |
| Capital Projects | - | - | 81,933 | 81,933 |
| <i>Total Restricted</i> | - | 578,189 | 81,933 | 660,122 |
| <u><i>Assigned to</i></u> | | | | |
| Other Purposes | 2,800 | - | - | 2,800 |
| <i>Total Assigned</i> | 2,800 | - | - | 2,800 |
| <u><i>Unassigned</i></u> | | | | |
| | 1,225,519 | - | - | 1,225,519 |
| <i>Total Fund Balance</i> | <u>\$ 1,229,700</u> | <u>\$ 578,189</u> | <u>\$ 81,933</u> | <u>\$ 1,889,822</u> |

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|------------------------------------|---|--|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE <i>WATER & WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES</i> | 10.760 | | | \$784,802 |
| Total U.S. Department of Agriculture | | | <u>0</u> | <u>784,802</u> |
| Total Expenditures of Federal Awards | | | <u>\$0</u> | <u>\$784,802</u> |

The accompanying notes are an integral part of this schedule.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of The Village of Arcanum (the Village) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan program listed subsequently is administered directly by the Village, and balances and transactions relating to these programs are included in the Village's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loan outstanding at December 31, 2017 consist of:

| CFDA Number | Program/Cluster Name | Outstanding Balance at December 31, 2017 |
|--------------------|--|---|
| 10.760 | Water & Waste Disposal Systems for Rural Communities | \$1,289,322 |



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
P.O. Box 398
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 cash balances, receipts, and disbursements by fund type of the Village of Arcanum, Darke County, (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 15, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Village of Arcanum
Darke County
P.O. Box 398
Arcanum, Ohio 45304

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Arcanum's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Village of Arcanum's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal programs.

Management's Responsibility

The Village's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Arcanum complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 15, 2018

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF FINDINGS
2 C.F.R. § 200.515 DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 C.F.R. § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | CFDA #10.760 - Water and Waste Disposal Systems for Rural Communities |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 C.F.R. § 200.520? | No |

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

FINDING NUMBER 2017-001

Material Weakness

Monthly reconciliations between the bank and the accounting system provide reasonable assurance that all receipts and disbursements have been correctly posted in the accounting system and have been correctly posted by the bank. The Village's monthly bank reconciliations from the period of January through December contained multiple errors that caused the Village's reconciled bank balance to exceed the book balance by \$5,169 at December 31, 2017. In addition, there was no acknowledgement that the bank reconciliations were being submitted to Council for their review and approval.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions. Failure to properly reconcile the bank to the book monthly increases the chance of fraud, theft, error or omissions remaining unnoticed. Failure to present accurate monthly bank reconciliations to Council for approval may result in hindering the ability to manage the Village's operations and to stay up to date on any negative financial performance indicators.

The Village should implement procedures to verify that bank reconciliations are prepared accurately. Additionally, the monthly bank reconciliations should be provided to Council for their review and approval. Council should review and sign the reconciliations indicating their approval. All transactions should be accurately posted in the accounting system. Adjustments should be documented, and any unexplained differences, including the variance at year end noted above, should be investigated and resolved immediately.

Officials' Response: The Fiscal Officer has implemented a procedure where all of the Village's deposit accounts are factored into the monthly reconciliation; however, this has not corrected the issue with the difference to the "un-expensed balance" on the month-end fund reports. The Fiscal Officer concludes that the reconciliation issues are a result of the failure to complete accurate overall bank reconciliations prior to the time she began employment with the Village in 2015, as this was also a finding on the 2014 audit. At this point, the Fiscal Officer sees no other option to ever be able to find when the original difference ever occurred. The Fiscal Officer is asking for further direction and resolution of this finding so that she can move forward. This issue was a finding on at least the prior two audits. Even with the changes I have implemented in the preparation of bank reconciliations and the future posting of the gas excise disbursement, the bank and book balance will still not be in line. This will continue to be an issue for eternity if I am not permitted to resolve the difference and start with a clean slate. The reconciliation issues were well before my time as the Fiscal Officer. I do not see a way to ever determine where it went wrong. I am asking for resolution of this matter.

FINDING NUMBER 2017-002

Non Compliance and Material Weakness

Ohio Rev. Code Section 733.28 provides, in part, that the fiscal officer is to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of its financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & A.16.

**FINDING NUMBER 2017-002
(Continued)**

In 2017, the Village's Fire Equip Levy Fund was originally included as a Debt Service Fund in the financial statement presentation but should have been reflected as a Special Revenue Fund. In 2017, this resulted in adjustments to the Debt Service Funds of \$255,107 decrease in revenue, \$310,957 decrease in expenditures, a decrease of \$78,137 in beginning fund balance, and a decrease in ending fund balance of \$22,287. Also, this resulted in adjustments to the Special Revenue Funds of \$255,107 increase in revenue, \$310,957 increase in expenditures and an increase in beginning fund balance of \$78,137 and ending fund balance of \$22,287.

In 2017, the Village classified the Kilowatt Hour (KWH) Tax in the General Fund as Miscellaneous Revenue but it should have been classified as Other Local Taxes. This resulted in a \$66,289 adjustment from Miscellaneous Revenue line item to Other Local Taxes line item.

Adjustments and reclassifications to correct the errors above are reflected in the accompanying financial statements. In addition to the adjustments listed above, we also identified additional misstatements ranging from \$4,463 to \$19,716 that we have brought to the Village's attention.

Failure to maintain a complete and accurate accountability of public monies could lead to errors and irregularities occurring and not being detected in a timely manner. Inaccurate financial information could make it difficult for the Village Council to make important financial decisions and could also make it difficult to compare financial information from year to year.

The Village should develop and implement procedures to improve the accuracy and completeness of the Village's financial statements. Additionally, independent detailed reviews should be performed over the Village's accounting records as a means of providing for their completeness and accuracy.

Officials' Response: Fire Equipment Levy Fund: I already stated that I don't believe that it should be an audit finding due the fact that this has been an error as long as the levy has been in place. I would like it noted that I want it to be correct, and the compiler is doing that by reclassifying the fund on the Village financial statements. However, as this is a reflection on my tenure as the Fiscal Officer, I do not feel it should be noted as a finding since it has been classified incorrectly on the Village's **audited** financial statements dating back to at least 1998, which is evidenced on your website. This fund has always been used to purchase equipment (nothing else) that the Village obtained loans for and paid back out of that fund and that fund only. Reclassification of Fire Equipment Levy Fund – this will be reclassified as a Special Revenue Fund on the Village financial statements going forward; however, the Fiscal Officer does not feel this warrants classification as an audit finding as this fund has been classified on the Village's AUDITED financial statements as a Debt Service Fund since its inception in 1983. The levy language has always been the same. This misclassification was caused by a mislabeling in a spreadsheet provided to the compiler and all previous compilers, and the spreadsheet was not created by this Fiscal Officer.

Kilowatt Hour Tax: when submitting financial information to compiler, Fiscal Officer will instruct compiler not to roll up the Kilowatt Hour Tax revenue into Miscellaneous Revenue in the General Fund and instead instruct the compiler to keep it as Other Local Taxes. The Village does currently have the Kilowatt Hour Tax recorded in a separate account line item on the Village books; however, the compiler is combining that line item into a miscellaneous category when preparing the financial statements for the Village.

**FINDING NUMBER 2017-002
(Continued)**

Posting of Disbursements: I would like it noted that the gas excise disbursement from 2014 of \$4,463 was not posted to the finance system because I was instructed not to by the previous state auditors when I asked if this needed to be corrected. I would also like a notation on the \$19,716 disbursement from 2017 from OPWC. I know that I was notified in 2017. As I explained to you, I was notified in late December AFTER our December 12th council meeting. The Mayor did intend to have the last meeting of the year, but it was cancelled due to no quorum. The Village has a council member who leaves for Florida every year, and she leaves right after the first council meeting of December. That puts us down to 5 members. Due to the holidays, the Mayor was unable to get a commitment from the other 5 members to attend a special meeting. The contracted amount was not in our 2017 budget because the Village wasn't even sure if or when the project would start, and the OPWC grant funds were not even officially awarded until mid to late 2017. Therefore, I could not book the amounts until 2018 after the first council meeting of 2018 when the funds could be appropriated. These circumstances are not things that are in my control as I do not dictate attendance of council members at meetings. I have also been working within the budget parameters that council members feel is most appropriate and have allowed me, which has clearly had a negative impact on my ability to effectively do my job as the Fiscal Officer and also be compliant from an audit perspective. I know what is the correct way and how my job is to be done, but I personally cannot force council to allow me to do what I know is right and audit compliant. I would also like it noted that these funds are not directly ever received by the Village. They are disbursed by OPWC and sent directly to the payee. The entries made in the finance system are simply an in and an out. Now that the project has begun, the remaining grant monies have been appropriated into the 2018 budget, so this will not be an issue. When preparing the 2019 budget, all of these issues will be addressed, and the budget will be prepared differently than in prior years. The \$4,463 misstatement is a gas excise tax disbursement from February 2014 that was deposited at the bank but never posted in the finance system by a previous Fiscal Officer. This was discovered as part of the previous audit, but when the current Fiscal Officer asked if it should now be posted to the finance system, she was told not to make the entry. This has now been clarified by the current auditors, and the Fiscal Officer will make this post to the finance system. This should bring the bank reconciliation closer to being in line with the balance of the finance system. The \$19,716 was funds sent directly to vendors as part of a project. Funds could not be appropriated until 2018.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None



Village Of Arcanum, Ohio

P.O. Box 398 – Arcanum, Ohio 45304

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017

OFFICES OF:

Mayor

937-692-8500

Village
Administration

937-692-8500

Municipal Tax

937-692-8500

Municipal Utilities

937-692-8565

Planning & Zoning

937-692-8500

Parks & Recreation

937-692-8500

| Finding Number | Finding Summary | Status | Additional Information |
|-------------------|---|---------------|---|
| 2016-001 | Failure to complete accurate bank reconciliations | Not corrected | <p>Reissued as Finding Number 2017-001</p> <p>The Fiscal Officer did implement a procedure where all of the Village's deposit accounts are factored into the monthly reconciliation; however, this has not corrected the issue with the difference to the "unexpensed balance" on the month-end fund reports. The Fiscal Officer concludes that the reconciliation issues are a result of the failure to complete accurate bank reconciliations prior to the time she began employment with the Village in 2015, as this was also a finding on the 2014 audit. At this point, the Fiscal Officer sees no other option to ever be able to find when the original difference ever occurred. The Fiscal Officer is asking for further direction and resolution of this finding so that she can move forward.</p> |



Village Of Arcanum, Ohio

P.O. Box 398 – Arcanum, Ohio 45304

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017

OFFICES OF:

Mayor

937-692-8500

Village
Administration

937-692-8500

Municipal Tax

937-692-8500

Municipal Utilities

937-692-8565

Planning & Zoning

937-692-8500

Parks & Recreation

937-692-8500

| Finding Number | Finding Summary | Status | Additional Information |
|-------------------|---------------------------|---------------|---|
| 2016-002 | Misclassification of Fund | Not corrected | <p>Reissued as Finding Number 2017-002</p> <p>The Village's compiler has been notified, and the Fire Equipment Levy Fund will be classified as a Special Revenue Fund on the Village financial statements going forward. However, the Fiscal Officer does not feel this warrants classification as an audit finding as this fund has been classified on the Village's AUDITED financial statements as a Debt Service Fund since its inception in 1983. The levy language has always been the same. This misclassification on the financial statements was caused by a mislabeling in a spreadsheet provided to the compiler and all previous compilers, and the spreadsheet was not created by this Fiscal Officer.</p> |



Village Of Arcanum, Ohio

P.O. Box 398 – Arcanum, Ohio 45304

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017

OFFICES OF:

Mayor

937-692-8500

Village
Administration

937-692-8500

Municipal Tax

937-692-8500

Municipal Utilities

937-692-8565

Planning & Zoning

937-692-8500

Parks & Recreation

937-692-8500

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|--|---------------|---|
| 2016-002 | Misclassification of Kilowatt Hour Tax | Not corrected | Reissued as Finding Number 2017-002 The Village's compiler will be instructed to make this correction on the Village's 2018 financial statements. The Fiscal Officer will instruct the compiler to keep the Kilowatt Hour Tax as its own separate line item in the General Fund Revenue (Other Local Tax) instead of rolling it up into Miscellaneous Revenue in the General Fund. The Village is currently posting the KWH Tax to a separate revenue account line on its books, but the compiler is combining it on the financial statements with other Miscellaneous revenue |
| 2016-002 | Misstatement of Revenue | Not corrected | Reissued as Finding Number 2017-002-Posting of \$4,463 will be made to finance system by the Fiscal Officer as soon as the audit report is finalized. This is a gas excise disbursement from Feb. 2014 deposited at the bank but not posted to finance by previous Fiscal Officer. Previous auditors told current FO not to post. |

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Village Of Arcanum, Ohio

P.O. Box 398 – Arcanum, Ohio 45304

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2017

OFFICES OF:

Mayor

937-692-8500

Village
Administration

937-692-8500

Municipal Tax

937-692-8500

Municipal Utilities

937-692-8565

Planning & Zoning

937-692-8500

Parks & Recreation

937-692-8500

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|---|----------------------------|
| 2017-001 | The Fiscal Officer has implemented a procedure where all of the Village's deposit accounts are factored into the monthly reconciliation; however, this has not corrected the issue with the difference to the "unexpensed balance" on the month-end fund reports. The Fiscal Officer concludes that the reconciliation issues are a result of the failure to complete accurate overall bank reconciliations prior to the time she began employment with the Village in 2015, as this was also a finding on the 2014 audit. At this point, the Fiscal Officer sees no other option to ever be able to find when the original difference ever occurred. The Fiscal Officer is asking for further direction and resolution of this finding so that she can move forward. | None until the Fiscal Officer is given an alternative to deal with the reconciliation issues that were prior to her employment with the Village | Darcy Woodall |
| 2017-002 | Reclassification of Fire Equipment Levy Fund – this will be reclassified as a Special Revenue Fund on the Village financial statements going forward; however, the Fiscal Officer does not feel this warrants classification as an audit finding as this fund has been classified on the Village's AUDITED financial statements as a Debt Service Fund since its inception in 1983. The levy language has always been the same. This misclassification was caused by a mislabeling in a spreadsheet provided to the compiler and all previous compilers, and the spreadsheet was not created by this Fiscal Officer. | Compiler has been notified and correction will be made immediately | Darcy Woodall |



Village Of Arcanum, Ohio

P.O. Box 398 – Arcanum, Ohio 45304

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) DECEMBER 31, 2017

OFFICES OF:

Mayor

937-692-8500

Village
Administration

937-692-8500

Municipal Tax

937-692-8500

Municipal Utilities

937-692-8565

Planning & Zoning

937-692-8500

Parks & Recreation

937-692-8500

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|---|----------------------------|
| 2017-002 | Kilowatt Hour Tax – when submitting financial information to compiler, Fiscal Officer will instruct compiler not to roll up the Kilowatt Hour Tax revenue into Miscellaneous Revenue in the General Fund and instead instruct the compiler to keep it as Other Local Taxes. The Village does currently have the Kilowatt Hour Tax recorded in a separate account line item on the Village books; however, the compiler is combining that line item into a miscellaneous category when preparing the financial statements for the Village | Compiler will be instructed to make this correction on 2018 financial statements | Darcy Woodall |
| 2017-002 | The \$4,463 misstatement is a gas excise tax disbursement from February 2014 that was deposited at the bank but never posted in the finance system by a previous Fiscal Officer. This was discovered as part of the previous audit, but the when the current Fiscal Officer asked if it should now be posted to the finance system, she was told not to make the entry. This has now been clarified by the current auditors, and the Fiscal Officer will make this post to the finance system. This should bring the bank reconciliation closer to being in line with the balance of the finance system. The \$19,716 was funds sent directly to vendors as part of a project. Funds could not be appropriated until 2018. | Posting will be made to the finance system as soon as the audit report is finalized. Fiscal Officer made Council aware that all project funds were to be appropriated at beginning of year to avoid funds not being shown as received in the same year due to timing of approval of legislation. This has been done for 2018. | Darcy Woodall |



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
MAY 31, 2018