

VILLAGE OF ARCANUM

DAYTON REGION, DARKE COUNTY

REGULAR AUDIT

JANUARY 1, 2000 THROUGH DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Village Council
Village of Arcanum
104 W. South Street
Arcanum, Ohio 45304

We have reviewed the Independent Auditor's Report of the Village of Arcanum, Darke County, prepared by Vanderhorst & Manning CPA's, LLC, for the audit period January 1, 2000 to December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

August 8, 2002

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**VILLAGE OF ARCANUM
DARKE COUNTY**

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Vanderhorst & Manning CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

REPORT OF INDEPENDENT AUDITORS'

Village Council
Village of Arcanum
104 West South Street
Arcanum, Ohio 45304

We have audited the accompanying financial statements of the Village of Arcanum, Darke County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Arcanum, Darke County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 1, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report on considering the results of our audit.

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

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

July 31, 2002

**VILLAGE OF ARCANUM
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Governmental Fund Types</u>				<u>Fiduciary Funds</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Local Taxes	\$ 274,950	\$ 9,077	\$ 30,259	\$ 0	\$ 7,976	\$ 322,262
Intergovernmental Revenues	229,252	83,428	3,474	0	1,016	317,170
Charges for Services	1,645	218,647	0	0	3,796	224,088
Fines, Licenses and Permits	260	0	0	0	0	260
Interest	85,364	19,031	0	0	0	104,395
Miscellaneous	22,687	2,889	0	0	0	25,576
Total Cash Receipts	<u>614,158</u>	<u>333,072</u>	<u>33,733</u>	<u>0</u>	<u>12,788</u>	<u>993,751</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	\$ 204,949	\$ 51,694	\$ 0	\$ 0	\$ 9,079	\$ 265,722
Public Health Services	9,211	0	0	0	0	9,211
Leisure Time Activities	6,862	71,992	0	0	0	78,854
Community Environment	81,419	0	0	0	0	81,419
Basic Utility Services	0	118,874	0	0	4,156	123,030
Transportation	0	66,781	0	0	0	66,781
General Government	96,779	204	680	0	172	97,835
Capital Outlay	7,409	12,962	0	0	0	20,371
Debt Service	0	5,209	30,098	0	0	35,307
Total Cash Disbursements	<u>406,629</u>	<u>327,716</u>	<u>30,778</u>	<u>0</u>	<u>13,407</u>	<u>778,530</u>
Total Receipts Over/(Under) Disbursements	<u>207,529</u>	<u>5,356</u>	<u>2,955</u>	<u>0</u>	<u>(619)</u>	<u>215,221</u>
Other Financing Receipts/(Disbursements):						
Transfers-In	0	84,000	0	0	0	84,000
Advances-In	1,000	1,000	0	0	0	2,000
Transfers-Out	(84,000)	0	0	0	0	(84,000)
Advances-Out	(1,000)	(1,000)	0	0	0	(2,000)
Total Other Financing Receipts (Disbursements)	<u>(84,000)</u>	<u>84,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	123,529	89,356	2,955	0	(619)	215,221
Fund Cash Balances, January 1, 2001	<u>796,207</u>	<u>303,947</u>	<u>50,066</u>	<u>9,123</u>	<u>24,172</u>	<u>1,183,515</u>
Fund Cash Balances, December 31, 2001	<u>\$ 919,736</u>	<u>\$ 393,303</u>	<u>\$ 53,021</u>	<u>\$ 9,123</u>	<u>\$ 23,553</u>	<u>\$ 1,398,736</u>
Reserve for Encumbrances, December 31, 2001	<u>\$ 49,612</u>	<u>\$ 20,496</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70,108</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ARCANUM
DARKE COUNTY**

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

	<u>Proprietary Funds</u>
	<u>Enterprise</u>
Operating Revenues:	
Charges for Services	\$ 1,791,017
Miscellaneous	<u>16,921</u>
Total Cash Receipts	<u>1,807,938</u>
Operating Expenses:	
Current:	
Personal Service	\$ 518,330
Travel Transportation	12,438
Contractual Services	1,061,841
Supplies and Materials	174,922
Capital Outlay	<u>80,606</u>
Total Cash Disbursements	<u>1,848,137</u>
Operating Income/ (Loss)	<u>(40,199)</u>
Non-Operating Revenues/(Disbursements):	
Other Non-Operating Expenses	(10,666)
Debt Service	<u>(24,035)</u>
Total Non-Operating Revenues Disbursements	<u>(34,701)</u>
Net Revenues Over/(Under) Disbursements	(74,900)
Fund Cash Balances, January 1, 2001	<u>1,436,346</u>
Fund Cash Balances, December 31, 2001	<u><u>\$ 1,361,446</u></u>
Reserve for Encumbrances, December 31, 2001	<u><u>\$ 434,028</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ARCANUM
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Governmental Fund Types</u>				<u>Fiduciary Funds</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Local Taxes	\$ 261,996	\$ 8,671	\$ 28,902	\$ 0	\$ 7,708	\$ 307,277
Intergovernmental Revenues	154,833	93,107	3,430	102,365	1,003	354,739
Charges for Services	1,390	217,394	0	0	3,890	222,674
Fines, Licenses and Permits	439	0	0	0	0	439
Interest	121,537	19,777	0	0	0	141,314
Miscellaneous	0	11,595	0	0	0	11,595
Total Cash Receipts	<u>540,195</u>	<u>350,544</u>	<u>32,332</u>	<u>102,365</u>	<u>12,601</u>	<u>1,038,037</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	\$ 191,437	\$ 55,801	\$ 0	\$ 0	\$ 6,000	\$ 253,238
Public Health Services	8,959	0	0	0	0	8,959
Leisure Time Activities	7,599	68,766	0	0	0	76,365
Community Environment	69,335	0	0	0	0	69,335
Basic Utility Services	0	117,546	0	0	3,412	120,958
Transportation	0	61,713	0	0	0	61,713
General Government	95,652	201	669	0	171	96,693
Capital Outlay	18,338	52,144	13,800	102,365	0	186,647
Debt Service	0	5,229	52,896	0	0	58,125
Total Cash Disbursements	<u>391,319</u>	<u>361,400</u>	<u>67,365</u>	<u>102,365</u>	<u>9,583</u>	<u>932,033</u>
Total Receipts Over/(Under) Disbursements	<u>148,876</u>	<u>(10,856)</u>	<u>(35,033)</u>	<u>0</u>	<u>3,018</u>	<u>106,005</u>
Other Financing Receipts/(Disbursements):						
Transfers-In	0	84,000	21,500	0	0	105,500
Advances-In	1,000	1,000	0	0	0	2,000
Transfers-Out	(84,000)	0	0	0	0	(84,000)
Advances-Out	(1,000)	(1,000)	0	0	0	(2,000)
Total Other Financing Receipts (Disbursements)	<u>(84,000)</u>	<u>84,000</u>	<u>21,500</u>	<u>0</u>	<u>0</u>	<u>21,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	64,876	73,144	(13,533)	0	3,018	127,505
Fund Cash Balances, January 1, 2000	<u>731,331</u>	<u>230,803</u>	<u>63,599</u>	<u>9,123</u>	<u>21,154</u>	<u>1,056,010</u>
Fund Cash Balances, December 31, 2000	<u>\$ 796,207</u>	<u>\$ 303,947</u>	<u>\$ 50,066</u>	<u>\$ 9,123</u>	<u>\$ 24,172</u>	<u>\$ 1,183,515</u>
Reserve for Encumbrances, December 31, 2000	<u>\$ 26,845</u>	<u>\$ 19,684</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,529</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ARCANUM
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Funds
	Enterprise
Operating Revenues:	
Charges for Services	\$ 1,780,844
Miscellaneous	32,211
	1,813,055
Total Cash Receipts	1,813,055
Operating Expenses:	
Current:	
Personal Service	\$ 484,894
Travel Transportation	15,609
Contractual Services	881,146
Supplies and Materials	156,233
Capital Outlay	177,338
	1,715,220
Total Cash Disbursements	1,715,220
Operating Income/ (Loss)	97,835
Non-Operating Revenues/(Expenses):	
Proceeds Sale of Notes	50,000
Other Non-Operating Cash Disbursements	(9,497)
	40,503
Total Non-Operating Revenues (Expenses)	40,503
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	138,338
Transfers Out	(21,500)
Net Revenues Over/(Under) Disbursements	116,838
Fund Cash Balances, January 1, 2000	1,319,508
Fund Cash Balances, December 31, 2000	\$ 1,436,346
Reserve for encumbrances, December 31, 2000	\$ 363,989

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Arcanum, Darke County, (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), police and fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurers' investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use.

The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

State Highway Fund – This fund receives state money for constructing, maintaining, and repairing Village streets in conjunction with the state highways in the Village.

Fire Fund – This fund receives the proceeds of contractual services for providing fire protection to Twin and Van Buren Townships and the Village of Ithaca.

Garbage and Refuse Fund – This fund receives fees charged for providing refuse service.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Water Tower Fund – This fund is used to accumulate resources for the payment of a loan from the Ohio Public Works Commission.

Fire Equipment Levy Fund – This fund is used to accumulate resources for the payment of bond debt for purchase of fire equipment.

4. Capital Project Funds

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

Issue II Fund – This fund is used to record the receipts and expenditures of State of Ohio Issue II funds used for the repair and improvement of Village street.

5. Enterprise Funds

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

Water Fund – This fund receives charges fro services from residents to cover the cost of providing water services to residents.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this sewer services to residents.

Electric Fund – This fund receives charges for services from residents to cover the cost of providing electric services to residents.

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. The Village classifies these as Expendable Trust Funds. The Village had the following significant expendable trust funds.

Police Disability and Pension Fund – This fund receives the proceeds of a property tax levy for meeting the pension payments for prior Village Police Office service.

Garbage Deposit Trust Fund – This fund receives the proceeds of deposits from renters for garbage services.

Utilities Deposit Trust Fund – This fund receives proceeds of deposits from renters of utility services.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand Deposits	\$1,032,643	\$ 913,313
Certificates of Deposit	<u>1,200,000</u>	<u>1,200,000</u>
Total Deposits	<u>2,232,643</u>	<u>2,113,313</u>
STAR Ohio	<u>476,041</u>	<u>206,548</u>
Total Deposits and Investments	<u>\$2,760,182</u>	<u>\$2,619,861</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) 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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 484,790	\$ 615,158	\$ 130,368
Special Revenue	399,880	418,072	18,192
Debt Service	31,700	33,733	2,033
Capital Projects	0	0	0
Enterprise	1,777,400	1,807,938	30,538
Fiduciary	<u>10,650</u>	<u>12,788</u>	<u>2,138</u>
Total	<u>\$2,704,420</u>	<u>\$2,887,689</u>	<u>\$ 183,269</u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

2. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 710,440	\$ 491,629	\$ 218,811
Special Revenue	520,213	328,716	191,497
Debt Service	30,798	30,778	20
Capital Projects	0	0	0
Enterprise	2,764,793	1,882,838	881,955
Fiduciary	<u>19,780</u>	<u>13,407</u>	<u>6,373</u>
Total	<u>\$4,046,024</u>	<u>\$2,747,368</u>	<u>\$1,298,656</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 477,590	\$ 541,195	\$ 63,605
Special Revenue	396,880	435,544	38,664
Debt Service	52,850	53,832	982
Capital Projects	103,865	102,365	(1,500)
Enterprise	1,753,400	1,863,055	109,655
Fiduciary	<u>9,630</u>	<u>12,601</u>	<u>2,971</u>
Total	<u>\$2,794,215</u>	<u>\$3,008,592</u>	<u>\$ 214,377</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 612,330	\$ 476,319	\$ 136,011
Special Revenue	420,896	362,400	58,496
Debt Service	68,646	67,365	1,281
Capital Projects	108,866	102,365	6,501
Enterprise	2,422,547	1,746,217	676,330
Fiduciary	<u>9,700</u>	<u>9,583</u>	<u>117</u>
Total	<u>\$3,642,985</u>	<u>\$2,764,249</u>	<u>\$ 878,736</u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$ 269,184	0%
Road Improvement Bonds	9,000	4.05 %
Fire Equipment Acquisition Bond	56,000	4.87%
Ohio Public Works Commission	<u>46,250</u>	0%
Total	<u>\$ 380,434</u>	

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

The Road Improvement Bonds were issued to pay for road improvements project. The bonds were in the amount of \$45,000, dated August 1, 1994 with a maturity date of 12/31/03. The payments were to be in the amount of \$4,500 annually over 10 years.

Fire Equipment Acquisition Bonds were issued for the purpose of acquiring fire equipment. The bonds were in the amount of \$130,700, dated September 15, 1998, with maturity date of October 1, 2003. Debts payments are to be made from water system revenues.

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>OPWC Loan</u>	<u>Road Improvement Bonds</u>	<u>Fire Acquisition Bonds</u>	<u>OPWC Loan</u>
2002	\$ 10,767	\$ 4,865	\$ 30,027	\$ 2,500
2003	21,535	4,682	30,098	2,500
2004	21,535	0	0	2,500
2005	21,535	0	0	2,500
2006	21,535	0	0	2,500
2007-11	107,675	0	0	12,500
2012-20	<u>64,602</u>	<u>0</u>	<u>0</u>	<u>21,250</u>
Total	<u>\$269,184</u>	<u>\$ 9,547</u>	<u>\$ 60,125</u>	<u>\$46,250</u>

6. RETIREMENT SYSTEMS

The Village's law full-time enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PFDPF members contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed an amount equal to 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000, for the period July 1, 2000 through December 31, 2000, the Village contributed 8.13%. For 2001 the Village contributed 13.55%. The Village has paid all contributions required through December 31,

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General Liability
- Public Officials Liability
- Vehicle
- Law Enforcement
- Property

Vanderhorst & Manning CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

**REPORT OF INDEPENDENT ACCOUNTANTS' ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the Village of Arcanum, Darke County (the Village), as of and for the years ended December 31, 2001, and 2000, and have issued our report thereon dated July 31, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However we noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated July 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 31, 2002.

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

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

July 31, 2002

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected: Significantly Different Corrective Action Taken; of Finding No Longer Valid; Explain:
1999-30319-001	No subdivision shall make any contract or order any expenditure unless the certificate of the fiscal officer is attached.	Yes	Then and Now certificates are used for contracts or expenditures where a purchase order was not obtained. All expenditures involved were less than \$1,000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

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
AUGUST 27, 2002**