



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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VILLAGE OF ARCANUM  
DARKE COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2010  
Fiscal Year Audited Under GAGAS: 2010





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Arcanum, Darke County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2010. 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 that reads "Dave Yost".

Dave Yost  
Auditor of State

May 15, 2012

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**VILLAGE OF ARCANUM  
DARKE COUNTY**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Village of Arcanum  
Darke County  
104 West South St.  
Arcanum, Ohio 45304

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Arcanum, Darke County, Ohio (the Village) as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business type-activities, each major fund and the aggregate remaining fund information of the Village of Arcanum, Darke County, Ohio, as of December 31, 2010 and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General Fund and State Highway Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and business-type activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Balestra, Harr & Scherer, CPAs, Inc.

March 30, 2012

**Village of Arcanum**  
**Darke County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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This discussion and analysis of the Village's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2010, within the limitations of the Village's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2010 are as follows:

Net assets of governmental activities decreased \$255,098 or 15 percent.

The Village's general receipts for governmental activities are comprised substantially of property and local income taxes. These receipts represent 33 percent of the total cash received for governmental activities during the year. The Village also received capital grants in the amount of \$121,466, interest receipts of \$47,789, and proceeds from an Ohio Public Works Commission (OPWC) loan of \$250,000.

Net assets of business-type activities increased \$81,709 or 3 percent from the prior year due to cash receipts, transfers, and advances in excess of cash disbursements.

For 2010, total governmental funds had cash receipts and other financing receipts of \$1,384,303 and cash disbursements and other financing disbursements of \$1,639,401. The greatest change within governmental funds occurred within the General Fund.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Village of Arcanum**  
**Darke County, Ohio**  
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**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipients of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

**Governmental Activities**

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

**Business-Type Activities**

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

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the State Highway Fund, and the West George Street Reconstruction Fund.

**Proprietary Funds** – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village presents three major enterprise funds: the Water, Sewer, and Electric Funds.

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

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2010 as compared to 2009.

(Table 1)

**Net Assets**  
**Governmental Activities**

	2010	2009
<b>Assets</b>		
Current Assets	\$ 1,442,811	\$ 1,697,909
Total Assets	\$ 1,442,811	\$ 1,697,909
<b>Net Assets</b>		
Restricted for:		
Capital Projects	\$ 61,914	\$ 77,478
Debt Service	10,168	2,052
State Highway	219,254	208,845
Street Repair	154,405	264,498
Other Purposes	188,454	284,440
Unrestricted	808,616	860,596
Total Net Assets	\$ 1,442,811	\$ 1,697,909

**Business-type Activities**

	2010	2009
<b>Assets</b>		
Current Assets	\$ 2,926,342	\$ 2,844,633
Total Assets	\$ 2,926,342	\$ 2,844,633
<b>Net Assets</b>		
Unrestricted	\$ 2,926,342	\$ 2,844,633
Total Net Assets	\$ 2,926,342	\$ 2,844,633

For 2010, total governmental activities net assets decreased \$255,098 due to an increase in capital outlay disbursements, which was partially offset by the proceeds from OPWC. Total business-type net assets increased \$81,709 due to receipts exceeding expenditures.

**Village of Arcanum**  
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*Management's Discussion and Analysis*  
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Table 2 reflects the changes in net assets for 2010 as compared to 2009.

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

	<u>2010</u>	<u>2009</u>
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 71,374	\$ 75,559
Operating Grants and Contributions	246,100	241,732
Capital Grants and Contributions	<u>121,466</u>	<u>122,350</u>
Total Program Receipts	<u>438,940</u>	<u>439,641</u>
General Receipts:		
Property Taxes	126,951	112,892
Municipal Income Taxes	257,635	269,674
Grants and Entitlements Not Restricted to Specific Programs	19,602	61,893
Proceeds from Insurance	-	29,480
Proceeds from OPWC Loans	250,000	-
Interest	47,789	77,030
Miscellaneous	<u>22,737</u>	<u>29,922</u>
Total General Receipts	<u>724,714</u>	<u>580,891</u>
Total Receipts	<u>1,163,654</u>	<u>1,020,532</u>
Cash Disbursements:		
Security of Persons and Property	315,177	370,850
Public Health Services	10,922	11,707
Leisure Time Activities	39,203	43,473
Community Environment	94,380	94,382
Transportation	92,800	131,738
General Government	170,129	249,893
Capital Outlay	719,942	259,669
Debt Service:		
Principal	42,017	34,748
Interest	<u>3,331</u>	<u>4,342</u>
Total Disbursements	<u>1,487,901</u>	<u>1,200,802</u>
Deficiency of Receipts Under Disbursements	(324,247)	(180,270)
Transfers and Advances:		
Transfers	73,649	68,199
Advances	<u>(4,500)</u>	<u>56,600</u>
Decrease in Net Assets	(255,098)	(55,471)
Net Assets, January 1	<u>1,697,909</u>	<u>1,753,380</u>
Net Assets, December 31	<u>\$ 1,442,811</u>	<u>\$ 1,697,909</u>

Program cash receipts represented \$438,940 or 38 percent of total cash receipts for 2010 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, and charges for services.

**Village of Arcanum**  
**Darke County, Ohio**  
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General receipts represented \$724,714 or 62 percent of the Village's total cash receipts for 2010. For 2010, 18 percent of general cash receipts are property taxes and 36 percent are local income tax. Interest makes up 7 percent of the Village's general cash receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources. The decrease to grants and entitlements not restricted to specific programs due to a decrease in estate tax. The decrease to interest revenue is due to the continuing declining interest rates and a decrease to cash on hand.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, the Village Fiscal Officer and income tax departments, as well as internal services such as payroll and purchasing. The increase to capital outlay is from a direct result of the proceeds from OPWC loans received by the Village.

Security of persons and property are the costs of police law enforcement salaries and benefits, police and fire protection; leisure time activities are the costs of maintaining the park and the swimming pool; and transportation is the cost of maintaining the roads.

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

	<u>2010</u>	<u>2009</u>
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 3,225,386	\$ 3,046,030
Capital Grants and Contributions	-	472,910
Total Program Receipts	<u>3,225,386</u>	<u>3,518,940</u>
General Receipts:		
Other Operating Cash Receipts	83,236	121,100
Other Non-operating Cash Receipts	21,637	24,434
Proceeds from Various Loans and Debt Issues	885,305	2,462,143
Total General Receipts	<u>990,178</u>	<u>2,607,677</u>
Total Receipts	<u>4,215,564</u>	<u>6,126,617</u>
Cash Disbursements:		
Water	340,548	566,172
Sewer	1,465,159	2,974,573
Electric	1,997,559	1,928,671
Other Enterprise	261,440	196,321
Total Disbursements	<u>4,064,706</u>	<u>5,665,737</u>
Excess of Receipts Over Disbursements	150,858	460,880
Transfers and Advances:		
Transfers	(73,649)	(68,199)
Advances	4,500	(56,600)
Increase in Net Assets	81,709	336,081
Net Assets, January 1	<u>2,844,633</u>	<u>2,508,552</u>
Net Assets, December 31	<u>\$ 2,926,342</u>	<u>\$ 2,844,633</u>

Decreases to capital grants and contributions, proceeds from loans and sewer disbursements are due to decreases in monies received from OWDA and OPWC for construction projects.

**Village of Arcanum**  
**Darke County, Ohio**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

If you look at the Statement of Activities on page 12 you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. For 2010, the major program disbursements for governmental activities are for security of persons and property and capital outlay which account for 21 and 48 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement.

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

(Table 4)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Security of Persons and Property	\$ 315,177	\$ 235,634	\$ 370,850	\$ 275,127
Public Health Services	10,922	8,519	11,707	9,399
Leisure Time Activities	39,203	25,927	43,473	23,031
Community Environment	94,380	73,918	94,382	76,307
Transportation	92,800	58,785	131,738	64,516
General Government	170,129	133,244	249,893	202,036
Capital Outlay	719,942	467,586	259,669	71,655
Debt Service:				
Principal	42,017	42,017	34,748	34,748
Interest	3,331	3,331	4,342	4,342
Total Cash Disbursements	<u>\$ 1,487,901</u>	<u>\$ 1,048,961</u>	<u>\$ 1,200,802</u>	<u>\$ 761,161</u>

The dependence upon property and income tax receipts, interest and debt proceeds is apparent as 49 percent of governmental activities were supported through general cash receipts for 2010.

**Village of Arcanum**  
**Darke County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**Business-type Activities**

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

(Table 5)

	<b>Business-Type Activities</b>			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2010	2010	2009	2009
Water	\$ 340,548	\$ 54,380	\$ 566,172	\$ 295,255
Sewer	1,465,159	961,805	2,974,573	1,987,249
Electric	1,997,559	(211,345)	1,928,671	(133,061)
Other Proprietary	261,440	34,480	196,321	(2,646)
Total Cash Disbursements	<u>\$ 4,064,706</u>	<u>\$ 839,320</u>	<u>\$ 5,665,737</u>	<u>\$ 2,146,797</u>

Program cash receipts provided for 79 percent of the cost of business-type activities in 2010.

**The Village's Funds**

The governmental fund most affected by the decrease in cash and cash equivalents was the General Fund primarily due to a decrease to intergovernmental receipts. The General Fund balance decreased \$51,980. The State Highway Fund balance increased \$10,409, while the West George Street Reconstruction Fund decreased \$16,369.

The Water Fund balance decreased \$36,868. The Sewer Fund balance decreased \$69,378. The Electric Fund balance increased \$196,026.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2010, the Village did not amend its General Fund budget for receipts. Final budgeted cash receipts and other financing sources were the same as original budgeted cash receipts and other financing sources. Actual receipts and other financing sources were \$26,949 lower than final budgeted receipts.

Final budgeted cash disbursements and other financing uses were \$63,500 higher than original budgeted cash disbursements and other financing uses primarily due to an increase in transfers out. Actual budget basis cash disbursements and other financing uses were \$108,547 lower than final budgeted cash disbursements and other financing uses primarily due to general government disbursements being less than anticipated.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure and they are not reported in the basic financial statements. Capital outlay is recorded as disbursements in the accompanying financial statements and amounted to \$719,942 and \$1,113,794 in the governmental funds and proprietary funds, respectively.

**Debt**

At December 31, 2010 the Village's outstanding debt included \$7,458,449 in lease purchases and loans issued for improvements to buildings, equipment and infrastructure. In accordance with the cash basis of accounting, this debt is not reported in the basic financial statements. See Note 6 to the basic financial statements for more information regarding the Village's debt.

**Village of Arcanum**  
**Darke County, Ohio**  
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**Current Issues**

The challenge for the Village is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Carolyn Robinson, Fiscal Officer, Village of Arcanum, 104 West South Street, Arcanum, Ohio 45304.

**Village of Arcanum**  
**Darke County Ohio**  
*Statement of Net Assets - Cash Basis*  
*As of December 31, 2010*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,442,811	\$ 2,926,342	\$ 4,369,153
<i>Total Assets</i>	<u>\$ 1,442,811</u>	<u>\$ 2,926,342</u>	<u>\$ 4,369,153</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 61,914	\$ -	\$ 61,914
Debt Service	10,168	-	10,168
State Highway	219,254	-	219,254
Street Repair	154,405	-	154,405
Other Purposes	188,454	-	188,454
Unrestricted	<u>808,616</u>	<u>2,926,342</u>	<u>3,734,958</u>
<i>Total Net Assets</i>	<u>\$ 1,442,811</u>	<u>\$ 2,926,342</u>	<u>\$ 4,369,153</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2010*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 315,177	\$ 10,254	\$ 69,289	\$ -	\$ (235,634)	\$ -	\$ (235,634)
Public Health Services	10,922	57	2,346	-	(8,519)	-	(8,519)
Leisure Time Activities	39,203	4,016	9,260	-	(25,927)	-	(25,927)
Community Environment	94,380	240	20,222	-	(73,918)	-	(73,918)
Transportation	92,800	11,628	22,387	-	(58,785)	-	(58,785)
General Government	170,129	432	36,453	-	(133,244)	-	(133,244)
Capital Outlay	719,942	44,747	86,143	121,466	(467,586)	-	(467,586)
Debt Service:							
Principal	42,017	-	-	-	(42,017)	-	(42,017)
Interest	3,331	-	-	-	(3,331)	-	(3,331)
<i>Total Governmental Activities</i>	<u>1,487,901</u>	<u>71,374</u>	<u>246,100</u>	<u>121,466</u>	<u>(1,048,961)</u>	<u>-</u>	<u>(1,048,961)</u>
<b>Business Type Activities</b>							
Water	340,548	286,168	-	-	-	(54,380)	(54,380)
Sewer	1,465,159	503,354	-	-	-	(961,805)	(961,805)
Electric	1,997,559	2,208,904	-	-	-	211,345	211,345
Other Enterprise	261,440	226,960	-	-	-	(34,480)	(34,480)
<i>Total Business Type Activities</i>	<u>4,064,706</u>	<u>3,225,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(839,320)</u>	<u>(839,320)</u>
<b>Total Primary Government</b>	<u>\$ 5,552,607</u>	<u>\$ 3,296,760</u>	<u>\$ 246,100</u>	<u>\$ 121,466</u>	<u>(1,048,961)</u>	<u>(839,320)</u>	<u>(1,888,281)</u>
General Receipts, Transfers and Advances							
Property Taxes Levied for:							
General Purposes					66,854	-	66,854
Garbage Levy					10,957	-	10,957
Police Pension					12,459	-	12,459
Fire Equipment Levy					36,681	-	36,681
Municipal Income Taxes					257,635	-	257,635
Grants and Entitlements not Restricted to Specific Programs					19,602	-	19,602
Other Operating Cash Receipts					-	83,236	83,236
Other Non-Operating Cash Receipts					-	21,637	21,637
Proceeds from OWDA Loans					-	575,448	575,448
Proceeds from OPWC Loans					250,000	309,857	559,857
Interest					47,789	-	47,789
Miscellaneous					22,737	-	22,737
Transfers					73,649	(73,649)	-
Advances					(4,500)	4,500	-
<i>Total General Receipts, Transfers and Advances</i>					<u>793,863</u>	<u>921,029</u>	<u>1,714,892</u>
Change in Net Assets					(255,098)	81,709	(173,389)
<i>Net Assets Beginning of Year</i>					<u>1,697,909</u>	<u>2,844,633</u>	<u>4,542,542</u>
<i>Net Assets End of Year</i>					<u>\$ 1,442,811</u>	<u>\$ 2,926,342</u>	<u>\$ 4,369,153</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*As of DeFember 31, 2010*

	General	State Highway	West George Street Reconstruction	All Other Governmental	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 808,616	\$ 219,254	\$ -	\$ 414,941	\$ 1,442,811
<i>Total Assets</i>	<u>\$ 808,616</u>	<u>\$ 219,254</u>	<u>\$ -</u>	<u>\$ 414,941</u>	<u>\$ 1,442,811</u>
<b>Fund Balances</b>					
Unreserved:					
Undesignated, Reported in:					
General Fund	\$ 808,616	\$ -	\$ -	\$ -	\$ 808,616
Special Revenue Funds	-	219,254	-	342,859	562,113
Debt Service Fund	-	-	-	10,168	10,168
Capital Projects Funds	-	-	-	61,914	61,914
<i>Total Fund Balances</i>	<u>\$ 808,616</u>	<u>\$ 219,254</u>	<u>\$ -</u>	<u>\$ 414,941</u>	<u>\$ 1,442,811</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2010*

	General	State Highway	West George Street Reconstruction	All Other Governmental	Total Governmental Funds
<b>Cash Receipts</b>					
Property Taxes	\$ 66,854	\$ -	\$ -	\$ 60,097	\$ 126,951
Municipal Income Taxes	257,635	-	-	-	257,635
Intergovernmental	132,196	7,569	121,466	125,937	387,168
Charges for Services	1,335	-	-	69,349	70,684
Fines, Licenses and Permits	690	-	-	-	690
Earnings on Investments	32,884	4,698	-	10,207	47,789
Miscellaneous	18,087	-	17	4,633	22,737
<i>Total Cash Receipts</i>	<u>509,681</u>	<u>12,267</u>	<u>121,483</u>	<u>270,223</u>	<u>913,654</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	242,987	-	-	72,190	315,177
Public Health Services	10,685	-	-	237	10,922
Leisure Time Activities	7,308	-	-	31,895	39,203
Community Environment	94,380	-	-	-	94,380
Transportation	-	1,380	-	91,420	92,800
General Government	170,129	-	-	-	170,129
Capital Outlay	-	478	362,852	356,612	719,942
Debt Service:					
Principal Retirement	11,321	-	-	30,696	42,017
Interest and Fiscal Charges	-	-	-	3,331	3,331
<i>Total Cash Disbursements</i>	<u>536,810</u>	<u>1,858</u>	<u>362,852</u>	<u>586,381</u>	<u>1,487,901</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(27,129)</u>	<u>10,409</u>	<u>(241,369)</u>	<u>(316,158)</u>	<u>(574,247)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	73,649	-	-	119,000	192,649
Transfers Out	(119,000)	-	-	-	(119,000)
Proceeds from OPWC Loans	-	-	250,000	-	250,000
Advances In	28,000	-	-	-	28,000
Advances Out	(7,500)	-	(25,000)	-	(32,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(24,851)</u>	<u>-</u>	<u>225,000</u>	<u>119,000</u>	<u>319,149</u>
<i>Net Change in Fund Balances</i>	(51,980)	10,409	(16,369)	(197,158)	(255,098)
<i>Fund Balances Beginning of Year</i>	<u>860,596</u>	<u>208,845</u>	<u>16,369</u>	<u>612,099</u>	<u>1,697,909</u>
<i>Fund Balances End of Year</i>	<u>\$ 808,616</u>	<u>\$ 219,254</u>	<u>\$ -</u>	<u>\$ 414,941</u>	<u>\$ 1,442,811</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budgetary Basis*  
*For the Year Ended December 31, 2010*

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$ 64,534	\$ 64,534	\$ 66,854	\$ 2,320
Municipal Income Taxes	338,336	338,336	257,635	(80,701)
Intergovernmental	103,589	103,589	132,196	28,607
Charges for Services	1,305	1,305	1,335	30
Fines, Licenses and Permits	1,052	1,052	690	(362)
Earnings on Investments	18,550	18,550	32,884	14,334
Miscellaneous	20,000	20,000	18,087	(1,913)
<b>Total Receipts</b>	<b>547,366</b>	<b>547,366</b>	<b>509,681</b>	<b>(37,685)</b>
<u>Disbursements:</u>				
Current:				
Security of Persons and Property	283,951	269,702	242,987	26,715
Public Health Services	11,800	11,800	10,685	1,115
Leisure Time Activities	32,511	12,550	7,308	5,242
Community Environment	118,951	121,619	94,380	27,239
General Government	221,823	218,365	170,129	48,236
Debt Service:				
Principal Retirement	11,321	11,321	11,321	-
<b>Total Disbursements</b>	<b>680,357</b>	<b>645,357</b>	<b>536,810</b>	<b>108,547</b>
Excess of Receipts Over (Under) Disbursements	(132,991)	(97,991)	(27,129)	70,862
<u>Other Financing Sources and Uses:</u>				
Transfers In	62,913	62,913	73,649	10,736
Advances In	28,000	28,000	28,000	-
Advances Out	-	(7,500)	(7,500)	-
Transfers Out	(28,000)	(119,000)	(119,000)	-
<b>Total Other Financing Sources and Uses</b>	<b>62,913</b>	<b>(35,587)</b>	<b>(24,851)</b>	<b>10,736</b>
Net Change in Fund Balance	(70,078)	(133,578)	(51,980)	81,598
Fund Balance Beginning of Year	860,596	860,596	860,596	-
Fund Balance End of Year	<u>\$ 790,518</u>	<u>\$ 727,018</u>	<u>\$ 808,616</u>	<u>\$ 81,598</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budgetary Basis*  
*For the Year Ended December 31, 2010*

	State Highway Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$ 14,112	\$ 14,112	\$ 7,569	\$ (6,543)
Earnings on Investments	2,650	2,650	4,698	2,048
Total Receipts	16,762	16,762	12,267	(4,495)
<u>Disbursements:</u>				
Transportation	3,000	3,000	1,380	1,620
Capital Outlay	1,000	1,000	478	522
Total Disbursements	4,000	4,000	1,858	2,142
Net Change in Fund Balance	12,762	12,762	10,409	(2,353)
Fund Balance Beginning of Year	208,845	208,845	208,845	-
Fund Balance End of Year	<u>\$ 221,607</u>	<u>\$ 221,607</u>	<u>\$ 219,254</u>	<u>\$ (2,353)</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*As of December 31, 2010*

	Business-Type Activities - Enterprise				Total Enterprise Funds
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 64,879	\$ 1,187,405	\$ 1,447,088	\$ 226,970	\$ 2,926,342
<i>Total Assets</i>	<u>\$ 64,879</u>	<u>\$ 1,187,405</u>	<u>\$ 1,447,088</u>	<u>\$ 226,970</u>	<u>\$ 2,926,342</u>
<b>Fund Net Assets - Unrestricted</b>	<u>\$ 64,879</u>	<u>\$ 1,187,405</u>	<u>\$ 1,447,088</u>	<u>\$ 226,970</u>	<u>\$ 2,926,342</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Statement of Cash Receipts*  
*Disbursements and Changes in Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2010*

	Business-Type Activities - Enterprise				Total Enterprise Funds
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	
<b>Operating Cash Receipts</b>					
Charges for Services	\$ 286,168	\$ 503,354	\$ 2,208,904	\$ 226,960	\$ 3,225,386
Other Operating Receipts	17,512	7,122	58,330	272	83,236
<i>Total Operating Cash Receipts</i>	<u>303,680</u>	<u>510,476</u>	<u>2,267,234</u>	<u>227,232</u>	<u>3,308,622</u>
<b>Operating Cash Disbursements</b>					
Personal Services	134,405	137,243	328,263	8,305	608,216
Travel Transportation	3,812	4,449	29,905	-	38,166
Contractual Services	16,606	27,455	1,494,118	166,871	1,705,050
Supplies and Materials	58,735	31,759	53,941	6,743	151,178
Capital Outlay	63,248	928,105	60,864	61,577	1,113,794
<i>Total Operating Cash Disbursements</i>	<u>276,806</u>	<u>1,129,011</u>	<u>1,967,091</u>	<u>243,496</u>	<u>3,616,404</u>
<i>Excess of Operating Cash Receipts Over (Under) Operating Cash Disbursements</i>	26,874	(618,535)	300,143	(16,264)	(307,782)
<b>Non-Operating Cash Receipts (Cash Disbursements)</b>					
Other Non-Operating Receipts	-	-	-	21,637	21,637
Other Non-Operating Disbursements	-	-	(30,468)	(17,944)	(48,412)
Proceeds of OWDA Loans	-	575,448	-	-	575,448
Proceeds of OPWC Loans	-	309,857	-	-	309,857
Principal Payments	(60,282)	(207,407)	-	-	(267,689)
Interest and Fiscal Charges	(3,460)	(128,741)	-	-	(132,201)
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>(63,742)</u>	<u>549,157</u>	<u>(30,468)</u>	<u>3,693</u>	<u>458,640</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(36,868)	(69,378)	269,675	(12,571)	150,858
<b>Transfers and Advances</b>					
Transfers Out	-	-	(73,649)	-	(73,649)
Advances In	-	-	-	7,500	7,500
Advances Out	-	-	-	(3,000)	(3,000)
<i>Total Transfers and Advances</i>	<u>-</u>	<u>-</u>	<u>(73,649)</u>	<u>4,500</u>	<u>(69,149)</u>
<i>Change in Net Assets</i>	(36,868)	(69,378)	196,026	(8,071)	81,709
<i>Net Assets Beginning of Year</i>	101,747	1,256,783	1,251,062	235,041	2,844,633
<i>Net Assets End of Year</i>	<u>\$ 64,879</u>	<u>\$ 1,187,405</u>	<u>\$ 1,447,088</u>	<u>\$ 226,970</u>	<u>\$ 2,926,342</u>

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Fund*  
*As of December 31, 2010*

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

See accompanying notes to the basic financial statements.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 1. DESCRIPTION OF THE ENTITY**

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

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

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

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its proprietary funds. Following are more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible.

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

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

General cash receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on the cash basis or draws from the Village's general receipts.

*Fund Financial Statements*

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

The Village uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Village's funds are divided into three categories: governmental, proprietary, and fiduciary.

***Governmental Funds***

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

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

*State Highway Fund* – This fund accounts monies received from the State to maintain state highways within the Village.

*West George Street Reconstruction Fund* – This fund accounts for OPWC monies used for the West George Street reconstruction project.

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

***Proprietary Funds***

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

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are as follows:

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Proprietary Funds (Continued)***

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

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

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

***Fiduciary Funds***

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

**C. Basis of Accounting**

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level within each function by fund.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by the Village Council.

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

The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During 2010, the Village’s investments were limited to certificates of deposit and STAR Ohio.

For reporting purposes, the Village considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase.

The Township has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2010. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2010.

Following Ohio statutes, the Village has specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund, the State Highway Fund, and all other governmental funds during 2010 amounted to \$32,884, \$4,698 and \$10,207, respectively.

**F. Capital Assets**

Acquisitions of property, plant, and equipment (capital assets) are recorded as disbursements when paid. The accompanying basic financial statements do not report these items as assets.

**G. Accumulated Leave**

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

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**J. Net Assets**

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

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

The government-wide statement of net assets reports \$634,195 in restricted net assets, none of which are restricted by enabling legislation.

**K. Fund Balance**

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

**NOTE 3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budgetary Basis presented for the General Fund and State Highway Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). There were no outstanding encumbrances at year end.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 4. DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or securities issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Village lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Village's total average portfolio; and
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Village's average portfolio.

**Village of Arcanum**  
**Darke County, Ohio**  
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**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

As of December 31, 2010, the Village's bank balance of \$4,384,119 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

As of December 31, 2010, the Village had \$600 in undeposited cash which is reported as part of equity in pooled cash and cash equivalents. Of this amount, \$500 was for the purpose of making change and \$100 was for petty cash.

*Investments:* As of December 31, 2010, the Village had the following investments and maturities:

	2010	
	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$ 244,097	< One Year
Total Fair Value	\$ 244,097	

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

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

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

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

**Village of Arcanum**  
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**NOTE 5. PROPERTY TAX**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2008, were levied after October 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2010, was \$6.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	
Real Estate – Residential/Agricultural	\$32,316,790
Real Estate – All Other	3,381,750
Public Utility – Personal Property	249,720
Total Assessed Value	\$35,948,260

**NOTE 6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010	Due in One Year
<b>Governmental Activities</b>					
Lease Purchase-Factory Building	\$ 124,536	\$ -	\$ 11,321	\$ 113,215	\$ 11,321
OPWC CK38M W. George Street	-	250,000	6,250	243,750	12,500
Lease Purchase-1988 Pierce					
Heavy Duty Rescue Truck	76,573	-	24,446	52,127	25,509
Total Governmental Activities	201,109	250,000	42,017	409,092	49,330
<b>Business-Type Activities</b>					
OWDA Loan 3770	2,515,040	-	87,776	2,427,264	89,098
OWDA Loan 3771	965,753	-	21,992	943,761	23,069
OWDA Loan 4565	175,188	-	8,747	166,441	8,923
OWDA Loan 5007	1,738,270	575,448	80,139	2,233,579	-
OPWC Loan CK619	96,904	-	21,535	75,369	21,535
OPWC Phase II CK06F	210,000	-	15,000	195,000	15,000
OPWC CK30C NW Storm	26,250	-	2,500	23,750	2,500
OPWC Phase III CK02L	434,336	309,857	-	744,193	-
Artesian of Pioneer/Water Media	270,000	-	30,000	240,000	30,000
Total Business-Typ Activities	6,431,741	885,305	267,689	7,049,357	190,125
Total Debt	\$ 6,632,850	\$ 1,135,305	\$ 309,706	\$ 7,458,449	\$ 239,455

**Village of Arcanum**  
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**NOTE 6. DEBT (Continued)**

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

The 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 will be repaid in annual installments of \$12,500 over 20 years with final payment July 1, 2030. The loan is being repaid from the Permissive Tax Fund.

The second lease purchase agreement relates to the purchase of a 1988 Pierce Heavy Duty Rescue Truck. The original amount of the lease purchase agreement was \$100,000. The lease to purchase is to be paid in annual installments of \$27,776 with an interest rate of 4.5%. The lease purchase agreement is for four years with the final payment May 27, 2012. The lease purchase agreement is being paid from the Fire Levy Tax Fund.

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

The Ohio Water Development Authority (OWDA) loan 3771 relates to the sanitary sewer phase II. The Village was approved for a loan in the amount of \$2,000,000. In May 2009, it was determined that the full amount would not need to be drawn on the loan. The loan is to be repaid in annual installments of \$68,471, including principal and interest at 4.84% with the final payment December 31, 2033. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

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

The Ohio Water Development Authority (OWDA) loan 5007 relates to the sanitary sewer phase III. The Village was approved for a loan in the amount of \$3,000,000 for this project. The interest rate is 1.5%. This project is still ongoing therefore the loan has not been finalized. No amortization schedule has been prepared by the OWDA. Draws of \$575,448 were made on the available balance during the year.

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

The Ohio Public Works Commission (OPWC) Loan CK06F relates to the sanitary sewer phase II. The OPWC has approved an interest free loan in the amount of \$300,000 for this project. The loan will be repaid in annual installments of \$15,000 over 20 years with final payment July 1, 2023. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

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 will be repaid in annual installments of \$2,500 over 20 years with final payment July 1, 2020. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

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**NOTE 6. DEBT (Continued)**

The Ohio Public Works Commission (OPWC) Loan No CK02L relates to the sanitary sewer phase III. The OPWC has approved a \$500,000 grant with an interest free loan in the amount of \$800,000 for this project. The loan will be repaid in annual installments of \$40,000 over 20 years with final payment July 1, 2030. This project is still ongoing as of December 31, 2010. Draws in the amount of \$309,857 were made on the available balance during the year. The loan is collateralized by the water and sewer receipts and is being repaid from the Sewer Fund.

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

Amortization of the above debt is scheduled as follows:

Year Ending	Business-Type Activities		
	OWDA Loans *		
December 30,	Principal	Interest	Total
2011	\$ 121,090	\$ 84,762	\$ 205,852
2012	123,741	82,111	205,852
2013	126,471	79,382	205,853
2014	129,282	76,568	205,850
2015	132,180	73,672	205,852
2016-2020	707,605	321,654	1,029,259
2021-2025	795,000	234,263	1,029,263
2026-2030	847,162	133,277	980,439
2031-2034	554,935	25,998	580,933
Total	<u>\$ 3,537,466</u>	<u>\$ 1,111,687</u>	<u>\$ 4,649,153</u>

Year Ending	OPWC Loans **		
	Principal	Interest	Total
2011	\$ 39,035	\$ -	\$ 39,035
2012	39,035	-	39,035
2013	39,035	-	39,035
2014	28,264	-	28,264
2015	17,500	-	17,500
2016-2020	86,250	-	86,250
2021-2023	45,000	-	45,000
Total	<u>\$ 294,119</u>	<u>\$ -</u>	<u>\$ 294,119</u>

Year Ending	Artesian-Pioneer		
	Principal	Interest	Total
2011	\$ 30,000	\$ -	\$ 30,000
2012	30,000	-	30,000
2013	30,000	-	30,000
2014	30,000	-	30,000
2015	30,000	-	30,000
2016-2018	90,000	-	90,000
Total	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>

Year Ending	Governmental Activities		
	OPWC Loans		
December 30,	Principal	Interest	Total
2011	\$ 12,500	\$ -	\$ 12,500
2012	12,500	-	12,500
2013	12,500	-	12,500
2014	12,500	-	12,500
2015	12,500	-	12,500
2016-2020	62,500	-	62,500
2021-2025	62,500	-	62,500
2026-2030	56,250	-	56,250
2031-2034	-	-	-
Total	<u>\$ 243,750</u>	<u>\$ -</u>	<u>\$ 243,750</u>

Year Ending	Lease Purchase - 1988 Pierce Fire Truck		
	Principal	Interest	Total
2011	\$ 25,509	\$ 2,268	\$ 27,777
2012	26,618	1,158	27,776
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016-2020	-	-	-
2021-2023	-	-	-
Total	<u>\$ 52,127</u>	<u>\$ 3,426</u>	<u>\$ 55,553</u>

Year Ending	Lease Purchase - Factory Building		
	Principal	Interest	Total
2011	\$ 11,321	\$ -	\$ 11,321
2012	11,321	-	11,321
2013	11,321	-	11,321
2014	11,321	-	11,321
2015	11,321	-	11,321
2016-2020	56,610	-	56,610
Total	<u>\$ 113,215</u>	<u>\$ -</u>	<u>\$ 113,215</u>

\* OWDA loan 5007 has not been finalized and is not included in the above amortization table. Therefore, the total debt shown on the amortization table does not equal the total outstanding debt as shown above.

\*\* OPWC loan CK02L has not been finalized and is not included in the above amortization table.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 7. RETIREMENT SYSTEMS**

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

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009 (most current information available), member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0% for 2010, 2009, and 2008 for the Village.

The employer contribution rates were 14.0% for 2010, 2009, and 2008 of covered payroll for the Village.

The Village's contributions to OPERS for the years ended December 31, 2010, 2009, and 2008 were \$96,639, \$90,925, and \$91,473, respectively, which were equal to the required contributions for those years.

Ohio Police and Fire Pension Fund

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

**Village of Arcanum**  
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**NOTE 7. RETIREMENT SYSTEMS (Continued)**

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2010, 2009 and 2008 were \$27,735, \$31,878, and \$32,766, respectively; or 100% of the required contributions for those years.

**NOTE 8. POSTEMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, 2009, and 2008, the Village contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

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

**Village of Arcanum**  
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**NOTE 8. POSTEMPLOYMENT BENEFITS (Continued)**

For 2009 (most current information available), the employer contributions allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. For 2008, the employer contributions allocated to the health care plan was 7.0%. For 2007, the employer contributions allocated to the health care plan was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1, 2007 through December 31, 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$37,570 for 2010, \$38,159 for 2009 and \$45,736 for 2008, which were equal to the required contributions for each year.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

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

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

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

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

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

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

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**NOTE 8. POSTEMPLOYMENT BENEFITS (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village of Arcanum's contributions that were used to fund post-employment benefits were \$7,794, \$13,203, and \$11,337, for 2010, 2009 and 2008, respectively, which were equal to the contributions for each year.

**NOTE 9. RISK MANAGEMENT**

Risk Pool Membership

The Village is exposed to various risks of loss due to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to §2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

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

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

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

2009	2008
\$11,176,186	\$ 10,471,114
(4,852,485)	(5,286,781)
\$ 6,323,701	\$ 5,184,333

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Village of Arcanum**  
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**NOTE 9. RISK MANAGEMENT (Continued)**

Employee Medical Benefits

The Village provides medical insurance benefits, prescription coverage and life insurance in the amount of \$20,000 to all eligible employees through Anthem Blue Cross Blue Shield of Ohio.

**NOTE 10. JOINT VENTURES WITH EQUITY INTEREST**

OMEGA JV5

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

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

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

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

On dissolution of OMEGA JV5, the net assets will be shared by the Financing Participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2010, the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 participant's entitlement to Project Power. Each participant may purchase a pro rata share of the defaulting JV5 participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 participants, is equal to the defaulting JV5 participant's ownership share of the project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 participant, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting JV5 participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)**

OMEGA JV5 (Continued)

The Village's net investment to date in OMEGA JV5 was \$90,745 at December 31, 2010. Under the Village's cash basis of accounting, the equity interest in OMEGA JV5 is not reported as an asset in the accompanying basic financial statements. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

Amortization of the Participant's percentage share of debt as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Refunding</u>	<u>Total</u>
2011	\$ 39,522	\$ 36,709	\$ 11,531	\$ 87,762
2012	40,824	35,046	11,534	87,404
2013	42,882	32,953	11,536	87,371
2014	44,982	30,757	11,530	87,269
2015	47,292	28,450	11,539	87,281
2016-2020	275,688	103,100	57,852	436,640
2021-2025	298,823	93,724	46,140	438,687
2026-2030	91,273	288,491	-	379,764
Total	<u>\$ 881,286</u>	<u>\$ 649,230</u>	<u>\$ 161,662</u>	<u>\$ 1,692,178</u>

OMEGA JV2

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

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65MW of distributed generation of which 134.081MW is the participant's entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$10,494 at December 31, 2010. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)**

OMEGA JV2 (Continued)

The thirty-six participating subdivisions and their respective ownership share at December 31, 2010:

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, 2010 and 2009 for these enterprises are indicated below:

**Calculation of JV5 Debt Coverage**

	<b>2010</b>	<b>2009</b>
Operating Income	\$ 300,143	\$ 267,998
JV5 Debt Service (Included above as operating expenses to Amp Ohio)	87,849	88,588
KWH Tax from General Fund	-	-
Adjusted Operating Income Available for Debt Service	<u>387,992</u>	<u>356,586</u>
OMEGA JV5 Debt Service (paid by Amp Ohio)	87,849	88,588
Other Electric System Debt Service	-	-
Total Electric System Debt	<u>\$ 87,849</u>	<u>\$ 88,588</u>
Coverage (Convenants require 110% coverage of all debt)	442%	403%

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)**

As of December 31, 2010

	<u>Electric Fund</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 2,208,904	\$ 1,016,482	\$ 3,225,386
Other Operating Receipts	58,330	24,906	83,236
Total Operating Cash Receipts	<u>2,267,234</u>	<u>1,041,388</u>	<u>3,308,622</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	328,263	279,953	608,216
Travel Transportation	29,905	8,261	38,166
Contractual Services	1,494,118	210,932	1,705,050
Supplies and Materials	53,941	97,237	151,178
Capital Outlay	60,864	1,052,930	1,113,794
Total Operating Cash Disbursements	<u>1,967,091</u>	<u>1,649,313</u>	<u>3,616,404</u>
Operating Receipts Over (Under) Operating Disbursements	300,143	(607,925)	(307,782)
<b>Non-Operating Cash Receipts (Cash Disbursements):</b>			
Other Nonoperating Receipts	-	21,637	21,637
Other Nonoperating Disbursements	(30,468)	(17,944)	(48,412)
Proceeds of OWDA	-	575,448	575,448
Proceeds of OPWC	-	309,857	309,857
Principal Payments	-	(267,689)	(267,689)
Interest and Fiscal Charges	-	(132,201)	(132,201)
Total Non-Operating Receipts/(Disbursements)	<u>(30,468)</u>	<u>489,108</u>	<u>458,640</u>
<b>Net Receipts Before Interfund Transfers and Advances</b>	269,675	(118,817)	150,858
Transfers - Out	(73,649)	-	(73,649)
Advances - In	-	7,500	7,500
Advances - Out	-	(3,000)	(3,000)
Total Transfers and Advances	<u>(73,649)</u>	<u>4,500</u>	<u>(69,149)</u>
Net Receipts Over Disbursements	196,026	(114,317)	81,709
Fund Cash Balances, January 1	<u>1,251,062</u>	<u>1,593,571</u>	<u>2,844,633</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 1,447,088</u>	<u>\$ 1,479,254</u>	<u>\$ 2,926,342</u>

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)**

As of December 31, 2009

	<u>Electric Fund</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 2,061,732	\$ 984,298	\$ 3,046,030
Other Operating Receipts	104,566	16,534	121,100
Total Operating Cash Receipts	<u>2,166,298</u>	<u>1,000,832</u>	<u>3,167,130</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	299,159	215,152	514,311
Travel Transportation	8,470	9,317	17,787
Contractual Services	1,406,410	187,320	1,593,730
Supplies and Materials	65,642	75,866	141,508
Capital Outlay	118,619	2,951,501	3,070,120
Total Operating Cash Disbursements	<u>1,898,300</u>	<u>3,439,156</u>	<u>5,337,456</u>
Operating Receipts Over (Under) Operating Disbursements	267,998	(2,438,324)	(2,170,326)
<b>Non-Operating Cash Receipts (Cash Disbursements):</b>			
Other Nonoperating Receipts	-	24,434	24,434
Other Nonoperating Disbursements	(30,371)	(23,023)	(53,394)
Proceeds from OWDA	-	1,727,807	1,727,807
Proceeds from OPWC	-	434,336	434,336
Proceeds from Loan	-	300,000	300,000
Principal Payments	-	(185,049)	(185,049)
Interest and Fiscal Charges	-	(89,838)	(89,838)
Total Non-Operating Receipts/(Disbursements)	<u>(30,371)</u>	<u>2,188,667</u>	<u>2,158,296</u>
<b>Net Receipts Before Capital Contributions, Interfund Transfers and Advances</b>	237,627	(249,657)	(12,030)
<b>Capital Contributions</b>	-	472,910	472,910
<b>Transfers and Advances:</b>			
Advances - Out	-	(59,600)	(59,600)
Transfers - Out	(68,199)	-	(68,199)
Advances - In	-	3,000	3,000
Total Transfers and Advances	<u>(68,199)</u>	<u>(56,600)</u>	<u>(124,799)</u>
Net Receipts Over Disbursements	169,428	166,653	336,081
Fund Cash Balances, January 1	<u>1,081,634</u>	<u>1,426,918</u>	<u>2,508,552</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 1,251,062</u>	<u>\$ 1,593,571</u>	<u>\$ 2,844,633</u>

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**NOTE 11. INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended December 31, 2010 were as follows:

Major Fund:	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 119,000	\$ 73,649
Total Major Fund	<u>119,000</u>	<u>73,649</u>
Non-Major Funds:		
Street Fund	-	28,000
Fire Fund	-	15,000
Community Park Fund	-	44,000
Community Pool Fund	-	32,000
Total Non-Major Funds	<u>-</u>	<u>119,000</u>
Major Proprietary Fund:		
Electric Fund	73,649	-
Total Major Proprietary Fund	<u>73,649</u>	<u>-</u>
Total	<u>\$ 192,649</u>	<u>\$ 192,649</u>

The transfer from the Electric Fund to the General Fund is to transfer kilowatt tax money to the General Fund as mandated by State statute. The transfers to the Street Fund, Fire Fund, Community Park Fund and the Community Pool Fund are to cover necessary expenses.

**Interfund Advances**

Advances made during the year ended December 31, 2010 were as follows:

Major Funds:	<u>Advances Out</u>	<u>Advances In</u>
General Fund	\$ 7,500	\$ 28,000
West George Street Reconstruction	25,000	-
Total Major Funds	<u>32,500</u>	<u>28,000</u>
Non-major Proprietary Fund:		
Electric Meter Surcharge Fund	3,000	7,500
Total Non-major Proprietary Fund	<u>3,000</u>	<u>7,500</u>
Total All Funds	<u>\$ 35,500</u>	<u>\$ 35,500</u>

The General Fund made an advance to the Electric Meter Surcharge Fund was to enable the Village to purchase radio-read electric meters at a discounted rate. These advances are expected to be repaid during fiscal year 2011.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 12. 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. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**NOTE 13. INCOME TAX**

The Village levies a municipal income tax of ½% on all salaries, wages, commissions and other compensation; on net profits earned within the Village; and on incomes of residents earned outside of the Village for the purpose of operating expenses of the Village.

Employers within the Village are required to withhold income tax on employees' compensation and remit the tax to the Village. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue has been reported as revenue in the General Fund. Income tax revenue for 2010 was \$257,635.

Effective January 1, 2011, the municipal income tax will increase to 1%. Of the ½% increase, 50% will be utilized for operating expenses of the Village and 50% for the purpose of street repair.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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

Village of Arcanum  
Darke County  
104 West South St.  
Arcanum, Ohio 45304

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Arcanum, Darke County, Ohio (the Village), as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated March 30, 2012 wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in 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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

Village of Arcanum

Darke County

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

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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



Balestra, Harr & Scherer, CPAs, Inc.

March 30, 2012





# 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 29, 2012