



Dave Yost • Auditor of State

VILLAGE OF ARCANUM
DARKE COUNTY
DECEMBER 31, 2014

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Arcanum, Darke County, Ohio (the Village), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Arcanum, Darke County, Ohio, as of December 31, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

This discussion and analysis of the Village's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2014, 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 2014 are as follows:

Net position of governmental activities decreased \$210,524 or 11 percent.

The Village's general receipts for governmental activities are comprised substantially of property and local income taxes. These receipts represent 30 percent of the total cash received for governmental activities during the year.

Net position of business-type activities increased \$237,266 or 8 percent from the prior year due to cash receipts and advances in excess of cash disbursements.

For 2014, total governmental funds had cash receipts and other financing receipts of \$2,481,495 and cash disbursements and other financing disbursements of \$2,692,019. The greatest change within governmental funds occurred within the South Main Street Reconstruction Fund.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Reporting the Village as a Whole

The statement of net position-cash basis and the statement of activities-cash basis reflect how the Village did financially during 2014, within the limitations of cash basis accounting. The statement of net position-cash basis presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities-cash basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program cash receipts include charges paid by the recipients of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

Governmental Activities

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

Business-Type Activities

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

Reporting the Village's Most Significant Funds

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

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

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2014 as compared to 2013 .

(Table 1)
Net Position
Governmental Activities

	2014	2013
Assets		
Current Assets	\$ 1,737,811	\$ 1,948,335
Total Assets	\$ 1,737,811	\$ 1,948,335
Net Position		
Restricted for:		
Capital Projects	\$ 57,929	\$ 173,657
Debt Service	51,962	55,067
State Highway	245,375	237,695
South Main Street Reconstruction	43,218	115,829
Street Repair	83,394	116,200
Other Purposes	192,996	116,674
Unrestricted	1,062,937	1,133,213
Total Net Position	\$ 1,737,811	\$ 1,948,335

Business-type Activities

	2014	2013
Assets		
Current Assets	\$ 3,286,001	\$ 3,048,735
Total Assets	\$ 3,286,001	\$ 3,048,735
Net Position		
Restricted for:		
Customer Deposits	\$ 127,587	\$ 100,746
Unrestricted	3,158,414	2,947,989
Total Net Position	\$ 3,286,001	\$ 3,048,735

For 2014, total governmental activities net position decreased \$210,524 due primarily to an increase in capital outlay related to the South Main Street Reconstruction project which was partially offset by proceeds from an OPWC loan. Total business-type net position increased \$237,266 as a result of an excess of receipts over disbursements.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 2 reflects the changes in net position for 2014 as compared to 2013.

(Table 2)
Changes in Net Position
Governmental Activities

	2014	2013
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 97,776	\$ 98,389
Operating Grants and Contributions	122,665	203,442
Capital Grants and Contributions	579,546	71,074
Total Program Receipts	799,987	372,905
General Receipts:		
Property Taxes	133,495	101,731
Municipal Income Taxes	547,282	467,165
Grants and Entitlements Not Restricted to Specific Programs	71,628	62,024
Proceeds from Sale of Assets	-	7,853
Proceeds from Bonds Issued	-	70,000
Proceeds from OPWC Loan	584,800	-
Interest	13,829	13,698
Miscellaneous	95,062	89,075
Advances	(3,191)	-
Total General Receipts and Advances	1,442,905	811,546
Total Receipts and Advances	2,242,892	1,184,451
Cash Disbursements:		
Security of Persons and Property	361,868	334,042
Public Health Services	76,931	10,105
Leisure Time Activities	47,729	34,224
Community Environment	81,086	75,107
Transportation	106,826	90,925
General Government	157,014	150,313
Capital Outlay	1,568,654	283,699
Debt Service:		
Principal	51,356	23,821
Interest	1,952	-
Total Disbursements	2,453,416	1,002,236
Increase (Decrease) in Net Position	(210,524)	182,215
Net Position, January 1	1,948,335	1,766,120
Net Position, December 31	\$ 1,737,811	\$ 1,948,335

Program cash receipts represented \$799,987 or 36 percent of total cash receipts for 2014 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, grants restricted for capital projects, and charges for services. Capital grants and contributions increased due to grants for the South Main Street reconstruction project.

General receipts represented \$1,446,096 or 64 percent of the Village's total cash receipts for 2014. For 2014, 9 percent of general cash receipts are property taxes and 38 percent are local income tax. Interest makes up 1 percent of the Village's general cash receipts and 40 percent of general cash receipts are proceeds from an OPWC loan. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, the Village Fiscal Officer and income tax departments, as well as internal services such as payroll and purchasing. Disbursements increased due to an increase in capital outlay which was related to the reconstruction project on South Main Street and an increase in public health services due to classification changes with the business-type activities funds.

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

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

	2014	2013
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 3,306,551	\$ 3,194,330
Total Program Receipts	3,306,551	3,194,330
General Receipts:		
Other Operating Cash Receipts	43,545	17,978
Other Non-operating Cash Receipts	28,028	28,959
Total General Receipts	71,573	46,937
Total Receipts	3,378,124	3,241,267
Cash Disbursements:		
Water	334,830	328,991
Sewer	579,736	605,541
Electric	2,108,452	1,923,353
Other Enterprise	121,031	214,510
Total Disbursements	3,144,049	3,072,395
Excess of Receipts Over Disbursements	234,075	168,872
Advances:		
Advances In	3,191	-
Total Advances	3,191	-
Increase in Net Position	237,266	168,872
Net Position, January 1	3,048,735	2,879,863
Net Position, December 31	\$ 3,286,001	\$ 3,048,735

The increase in charges for services and sales receipts was due to increased activity in the electricity fund causing an increase in the electricity receipts and also an increase in disbursements for the fund. The decrease in the other enterprise disbursements was related to classification changes with the governmental activities funds related to the garbage collection for the Village.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Governmental Activities

If you look at the Statement of Activities-cash basis 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 2014, the major program disbursements for governmental activities are for security of persons and property, general government, and capital outlay which account for 15, 6, and 64 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement.

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

(Table 4)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2014	2014	2013	2013
Security of Persons and Property	\$ 361,868	\$ 312,121	\$ 334,042	\$ 251,253
Public Health Services	76,931	40,893	10,105	8,725
Leisure Time Activities	47,729	23,081	34,224	9,415
Community Environment	81,086	78,141	75,107	65,953
Transportation	106,826	50,089	90,925	19,339
General Government	157,014	151,099	150,313	131,842
Capital Outlay	1,568,654	944,697	283,699	118,983
Debt Service:				
Principal	51,356	51,356	23,821	23,821
Interest	1,952	1,952	-	-
Total Cash Disbursements	<u>\$ 2,453,416</u>	<u>\$ 1,653,429</u>	<u>\$ 1,002,236</u>	<u>\$ 629,331</u>

The dependence upon property and income tax receipts and interest is apparent as 59 percent of governmental activities were supported through general cash receipts for 2014.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Business-type Activities

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

(Table 5)

Business-Type Activities

	Total Cost Of Services 2014	Net Cost of Services 2014	Total Cost Of Services 2013	Net Cost of Services 2013
Water	\$ 334,830	\$ 20,339	\$ 328,991	\$ 16,901
Sewer	579,736	(33,763)	605,541	50,534
Electric	2,108,452	(103,718)	1,923,153	(186,622)
Other Enterprise	121,031	(45,360)	214,510	(2,748)
Total Cash Disbursements	<u>\$ 3,144,049</u>	<u>\$ (162,502)</u>	<u>\$ 3,072,195</u>	<u>\$ (121,935)</u>

Program cash receipts provided for 100 percent of the cost of business-type activities in 2014.

The Village's Funds

The governmental fund most affected by the decrease in cash and cash equivalents was the South Main Street Reconstruction Fund primarily due to an excess of cash disbursements over cash receipts. The South Main Street Reconstruction Fund balance decreased \$72,611. The General Fund's receipts exceeded disbursements by \$168,327; however transfers and advances out of \$238,603 resulted in a decrease in fund balance of \$70,276 for 2014.

The Water Fund balance decreased \$21,760. The Sewer Fund balance increased \$35,611. The Electric Fund balance increased \$149,803 primarily due to an excess of receipts over disbursements.

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.

During 2014, the Village amended its original receipts and disbursements for the General Fund. Final budgeted receipts were \$60,311 higher than original budgeted receipts due to an overall increase in receipts. Final budgeted appropriations were \$268,243 higher than original budgeted appropriations due to an increase in transfers, advances, security of persons and property, capital outlay, and debt service appropriated. Actual receipts and other financing sources were \$34,333 higher than final budgeted receipts.

Final budgeted cash disbursements and other financing uses were \$102,271 higher than final actual cash disbursements and other financing uses primarily due to security of persons and property, community environment, general government, and transfers out 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 \$1,568,654 and \$194,329 in the governmental funds and proprietary funds, respectively.

Village of Arcanum
Darke County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Debt

At December 31, 2014 the Village's outstanding debt included \$7,124,217 in lease purchases, bonds, and loans issued for improvements to buildings, equipment and infrastructure. The loans for infrastructure are due to EPA mandates to separate the sanitary and sewer lines. In accordance with the cash basis of accounting, this debt is not reported in the basic financial statements. See Note 6 to the basic financial statements for more information regarding the Village's debt.

Current Issues

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

Contacting the Village's Financial Management

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

Village of Arcanum
Darke County, Ohio
Statement of Net Position - Cash Basis
As of December 31, 2014

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,679,883	\$ 3,158,414	\$ 4,838,297
Restricted Cash and Cash Equivalents	57,928	127,587	185,515
<i>Total Assets</i>	<u>\$ 1,737,811</u>	<u>\$ 3,286,001</u>	<u>\$ 5,023,812</u>
Net Position			
Restricted for:			
Capital Projects	\$ 57,929	\$ -	\$ 57,929
Debt Service	51,962	-	51,962
State Highway	245,375	-	245,375
South Main Street Reconstruction	43,218	-	43,218
Street Repair	83,394	-	83,394
Other Purposes	192,996	-	192,996
Customer Deposits	-	127,587	127,587
Unrestricted	<u>1,062,937</u>	<u>3,158,414</u>	<u>4,221,351</u>
<i>Total Net Position</i>	<u>\$ 1,737,811</u>	<u>\$ 3,286,001</u>	<u>\$ 5,023,812</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, 2014

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	\$ 361,868	\$ 23,190	\$ 26,557	\$ -	\$ (312,121)	\$ -	\$ (312,121)
Public Health Services	76,931	14,829	21,209	-	(40,893)	-	(40,893)
Leisure Time Activities	47,729	10,054	14,594	-	(23,081)	-	(23,081)
Community Environment	81,086	2,558	387	-	(78,141)	-	(78,141)
Transportation	106,826	23,089	33,648	-	(50,089)	-	(50,089)
General Government	157,014	5,033	882	-	(151,099)	-	(151,099)
Capital Outlay	1,568,654	19,023	25,388	579,546	(944,697)	-	(944,697)
Debt Service:							
Principal	51,356	-	-	-	(51,356)	-	(51,356)
Interest	1,952	-	-	-	(1,952)	-	(1,952)
<i>Total Governmental Activities</i>	<u>2,453,416</u>	<u>97,776</u>	<u>122,665</u>	<u>579,546</u>	<u>(1,653,429)</u>	<u>-</u>	<u>(1,653,429)</u>
Business Type Activities							
Water	334,830	314,491	-	-	-	(20,339)	(20,339)
Sewer	579,736	613,499	-	-	-	33,763	33,763
Electric	2,108,452	2,212,170	-	-	-	103,718	103,718
Other Enterprise	121,031	166,391	-	-	-	45,360	45,360
<i>Total Business Type Activities</i>	<u>3,144,049</u>	<u>3,306,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,502</u>	<u>162,502</u>
Total Primary Government	<u>\$ 5,597,465</u>	<u>\$ 3,404,327</u>	<u>\$ 122,665</u>	<u>\$ 579,546</u>	<u>(1,653,429)</u>	<u>162,502</u>	<u>(1,490,927)</u>
General Receipts and Advances							
Property Taxes Levied for:							
General Purposes					56,050	-	56,050
Garbage Levy					8,290	-	8,290
Parks, Pool, & Recreation Levy					32,403	-	32,403
Police Pension					8,392	-	8,392
Fire Equipment Levy					28,360	-	28,360
Municipal Income Taxes					547,282	-	547,282
Grants and Entitlements not Restricted to Specific Programs					71,628	-	71,628
Other Operating Cash Receipts					-	43,545	43,545
Other Non-Operating Cash Receipts					-	28,028	28,028
Proceeds from OPWC Loans					584,800	-	584,800
Interest					13,829	-	13,829
Miscellaneous					95,062	-	95,062
Advances					(3,191)	3,191	-
<i>Total General Receipts and Advances</i>					<u>1,442,905</u>	<u>74,764</u>	<u>1,517,669</u>
<i>Change in Net Position</i>					(210,524)	237,266	26,742
<i>Net Position Beginning of Year</i>					<u>1,948,335</u>	<u>3,048,735</u>	<u>4,997,070</u>
<i>Net Position End of Year</i>					<u>\$ 1,737,811</u>	<u>\$ 3,286,001</u>	<u>\$ 5,023,812</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement Assets and Fund Balances - Cash Basis
Governmental Funds
As of December 31, 2014

	<u>General</u>	<u>South Main Street Reconstruction</u>	<u>All Other Governmental</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,062,937	\$ 43,218	\$ 573,728	\$ 1,679,883
Restricted Cash and Cash Equivalents	\$ -	\$ -	\$ 57,928	\$ 57,928
<i>Total Assets</i>	<u>\$ 1,062,937</u>	<u>\$ 43,218</u>	<u>\$ 631,656</u>	<u>\$ 1,737,811</u>
Fund Balances				
Nonspendable	\$ 1,381	\$ -	\$ -	\$ 1,381
Restricted	-	43,218	631,656	674,874
Assigned	44,764	-	-	44,764
Unassigned	1,016,792	-	-	1,016,792
<i>Total Fund Balances</i>	<u>\$ 1,062,937</u>	<u>\$ 43,218</u>	<u>\$ 631,656</u>	<u>\$ 1,737,811</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2014

	General	South Main Street Reconstruction	All Other Governmental	Total Governmental Funds
Cash Receipts				
Property Taxes	\$ 56,050	\$ -	\$ 77,445	\$ 133,495
Municipal Income Taxes	547,282	-	-	547,282
Special Assessments	-	27,937	1,609	29,546
Intergovernmental	74,502	540,000	129,791	744,293
Charges for Services	1,345	-	78,761	80,106
Fines, Licenses and Permits	17,670	-	-	17,670
Earnings on Investments	7,900	-	5,929	13,829
Miscellaneous	77,610	-	17,452	95,062
<i>Total Cash Receipts</i>	<u>782,359</u>	<u>567,937</u>	<u>310,987</u>	<u>1,661,283</u>
Cash Disbursements				
Current:				
Security of Persons and Property	297,221	-	64,647	361,868
Public Health Services	9,743	-	67,188	76,931
Leisure Time Activities	1,417	-	46,312	47,729
Community Environment	81,086	-	-	81,086
Transportation	-	-	106,826	106,826
General Government	156,586	-	428	157,014
Capital Outlay	56,658	1,432,250	79,746	1,568,654
Debt Service:				
Principal Retirement	11,321	-	40,035	51,356
Interest and Fiscal Charges	-	-	1,952	1,952
<i>Total Cash Disbursements</i>	<u>614,032</u>	<u>1,432,250</u>	<u>407,134</u>	<u>2,453,416</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>168,327</u>	<u>(864,313)</u>	<u>(96,147)</u>	<u>(792,133)</u>
Other Financing Sources (Uses)				
Transfers In	-	206,902	28,510	235,412
Transfers Out	(235,412)	-	-	(235,412)
Proceeds from OPWC Loans	-	584,800	-	584,800
Advances Out	(3,191)	-	-	(3,191)
<i>Total Other Financing Sources (Uses)</i>	<u>(238,603)</u>	<u>791,702</u>	<u>28,510</u>	<u>581,609</u>
<i>Net Change in Fund Balances</i>	(70,276)	(72,611)	(67,637)	(210,524)
<i>Fund Balances Beginning of Year</i>	<u>1,133,213</u>	<u>115,829</u>	<u>699,293</u>	<u>1,948,335</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,062,937</u>	<u>\$ 43,218</u>	<u>\$ 631,656</u>	<u>\$ 1,737,811</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 - Budget Basis
For the Year Ended December 31, 2014

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Receipts:				
Property Taxes	\$ 49,269	\$ 66,160	\$ 56,050	\$ (10,110)
Municipal Income Taxes	481,076	513,794	547,282	33,488
Intergovernmental	65,489	69,944	74,502	4,558
Charges for Services	1,182	1,262	1,345	83
Fines, Licenses and Permits	15,533	16,588	17,670	1,082
Earnings on Investments	6,944	7,417	7,900	483
Miscellaneous	68,222	72,861	77,610	4,749
<i>Total Receipts</i>	<u>687,715</u>	<u>748,026</u>	<u>782,359</u>	<u>34,333</u>
Disbursements:				
Current:				
Security of Persons and Property	284,850	331,434	298,485	32,949
Public Health Services	9,743	9,743	9,743	-
Leisure Time Activities	5,912	3,912	1,417	2,495
Community Environment	86,858	96,648	81,145	15,503
Transportation	117,500	24,500	-	24,500
General Government	183,322	201,188	156,585	44,603
Capital Outlay	-	50,400	56,858	(6,458)
Debt Service:				
Principal Retirement	-	-	11,321	(11,321)
<i>Total Disbursements</i>	<u>688,185</u>	<u>717,825</u>	<u>615,554</u>	<u>102,271</u>
<i>Excess of Receipts Over Disbursements</i>	(470)	30,201	166,805	136,604
Other Financing Sources (Uses):				
Advances Out	-	(3,191)	(3,191)	-
Transfers Out	-	(235,412)	(235,412)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(238,603)</u>	<u>(238,603)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(470)	(208,402)	(71,798)	136,604
<i>Fund Balance Beginning of Year</i>	1,131,359	1,131,359	1,131,359	-
<i>Prior Year Encumbrances Appropriated</i>	<u>473</u>	<u>473</u>	<u>473</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,131,362</u>	<u>\$ 923,430</u>	<u>\$ 1,060,034</u>	<u>\$ 136,604</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
As of December 31, 2014

	<u>Business-Type Activities - Enterprise</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 118,171	\$ 1,162,608	\$ 1,718,614	\$ 159,021	\$ 3,158,414
Restricted Cash and Cash Equivalents	-	-	-	127,587	127,587
<i>Total Assets</i>	<u>\$ 118,171</u>	<u>\$ 1,162,608</u>	<u>\$ 1,718,614</u>	<u>\$ 286,608</u>	<u>\$ 3,286,001</u>
Fund Net Position					
Restricted for Customer Deposits	-	-	-	127,587	127,587
Unrestricted	118,171	1,162,608	1,718,614	159,021	3,158,414
<i>Total Fund Net Position</i>	<u>\$ 118,171</u>	<u>\$ 1,162,608</u>	<u>\$ 1,718,614</u>	<u>\$ 286,608</u>	<u>\$ 3,286,001</u>

See accompanying notes to the basic financial statements.

Village of Arcanum
Darke County, Ohio
Statement of Receipts,
Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2014

	Business-Type Activities - Enterprise				
	Water	Sewer	Electric	Other Non-Major Enterprise Funds	Total Enterprise Funds
Operating Cash Receipts					
Charges for Services	\$ 314,491	\$ 613,499	\$ 2,212,170	\$ 166,391	\$ 3,306,551
Other Operating Receipts	3,604	1,848	37,869	224	43,545
<i>Total Operating Cash Receipts</i>	<u>318,095</u>	<u>615,347</u>	<u>2,250,039</u>	<u>166,615</u>	<u>3,350,096</u>
Operating Cash Disbursements					
Personal Services	123,816	117,341	249,365	3,336	493,858
Travel Transportation	2,640	2,663	5,705	-	11,008
Contractual Services	17,496	36,729	1,694,739	116,509	1,865,473
Supplies and Materials	66,871	20,356	77,551	-	164,778
Capital Outlay	71,032	73,392	49,905	-	194,329
<i>Total Operating Cash Disbursements</i>	<u>281,855</u>	<u>250,481</u>	<u>2,077,265</u>	<u>119,845</u>	<u>2,729,446</u>
<i>Excess of Operating Cash Receipts Over Operating Cash Disbursements</i>	36,240	364,866	172,774	46,770	620,650
Non-Operating Cash Receipts (Cash Disbursements)					
Other Non-Operating Receipts	-	-	-	28,028	28,028
Other Non-Operating Disbursements	-	-	(31,187)	(1,186)	(32,373)
Principal Payments	(50,238)	(221,288)	-	-	(271,526)
Interest and Fiscal Charges	(2,737)	(107,967)	-	-	(110,704)
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>(52,975)</u>	<u>(329,255)</u>	<u>(31,187)</u>	<u>26,842</u>	<u>(386,575)</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements before Advances</i>	(16,735)	35,611	141,587	73,612	234,075
Advances					
Advances In	3,191	-	-	-	3,191
<i>Total Advances</i>	<u>3,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,191</u>
<i>Change in Net Position</i>	(13,544)	35,611	141,587	73,612	237,266
<i>Net Position Beginning of Year</i>	<u>131,715</u>	<u>1,126,997</u>	<u>1,577,027</u>	<u>212,996</u>	<u>3,048,735</u>
<i>Net Position End of Year</i>	<u>\$ 118,171</u>	<u>\$ 1,162,608</u>	<u>\$ 1,718,614</u>	<u>\$ 286,608</u>	<u>\$ 3,286,001</u>

See accompanying notes to the basic financial statements.

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Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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. Following are more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position-cash basis and the statement of activities-cash basis display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other 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 position-cash basis presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities-cash basis compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible.

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

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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 two categories: governmental and proprietary.

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

South Main Street Reconstruction Capital Projects Fund – This fund is used to account for all financial resources and expenses associated with the reconstruction of South Main Street in the Village. The primary sources of revenues are intergovernmental and loan monies received from the Ohio Public Works Commission, as well as special assessment receipts, and transfers in from the General Fund.

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, 2014

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

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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 2014, the Village’s investments were limited to certificates of deposit and STAR Ohio.

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

The Village has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2014. 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, 2014.

Following Ohio statutes, the Village has specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund, and all other governmental funds during 2014 amounted to \$7,900 and \$5,929, 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, 2014

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 Position

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

The Village applies restricted resources first when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

The government-wide statement of net position-cash basis reports \$674,874 in restricted net position, none of which are restricted by enabling legislation.

K. Fund Balance

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

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

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

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

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

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance (Continued)

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

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

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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). At December 31, 2014, there was \$1,522 in encumbrances in the General Fund. As part of the Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” certain funds that were previously reported as an agency are considered part of the General Fund on a cash basis. This includes the Unclaimed Monies Fund. This fund was excluded from the budgetary presentation for the General Fund.

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;

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and
9. Bankers' acceptance for a period not to exceed one hundred and eighty days and in an amount not to exceed ten percent of the Village's total average portfolio.

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

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

As of December 31, 2014, the Village's bank balance of \$4,808,192 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, 2014, 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.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments: As of December 31, 2014, the Village had the following investments and maturities:

	2014	
	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$ 244,596	< One Year
Total Fair Value	\$ 244,596	

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

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

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

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

NOTE 5. PROPERTY TAX

Property taxes include amounts levied against all real property and public utility property located in the Village. Real property tax receipts received in represent the collection of taxes. Real property taxes received in 2014 were levied after October 1, 2012 on the assessed values as of January 1, 2013, 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 2014 represent the collection of 2013 taxes. Public utility real property taxes received in 2014 became a lien on December 31, 2012, were levied after October 1, 2013, and were 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.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 5. PROPERTY TAX (Continued)

The full tax rate for all Village operations for the year ended December 31, 2014, was \$6.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

Real Property	
Real Estate – Residential/Agricultural	\$29,729,910
Real Estate – All Other	2,776,950
Public Utility – Personal Property	299,510
Total Assessed Value	\$32,806,370

NOTE 6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014	Due in One Year
<u>Governmental Activities</u>					
Lease Purchase-Factory Building	\$ 79,252	\$ -	\$ 11,321	\$ 67,931	\$ 11,321
OPWC CK38M W. George Street	206,250	-	6,250	200,000	18,750
OPWC S. Main Street CT20Q	-	584,800	-	584,800	-
Fire Truck Bonds Series 2013	70,000	-	33,785	36,215	17,253
Total Governmental Activities	355,502	584,800	51,356	888,946	47,324
<u>Business-Type Activities</u>					
OWDA Loan 3770	2,155,926	-	93,183	2,062,743	94,586
OWDA Loan 3771	871,107	-	26,628	844,479	27,933
OWDA Loan 4565	139,131	-	9,471	129,660	9,662
OWDA Loan 5007	2,293,616	-	72,727	2,220,889	73,822
OPWC Loan CK619	10,767	-	10,767	-	-
OPWC Phase II CK06F	150,000	-	7,500	142,500	22,500
OPWC CK30C NW Storm	16,250	-	1,250	15,000	3,750
OPWC Phase III CK02L	720,000	-	20,000	700,000	60,000
Artesian of Pioneer/Water Media	150,000	-	30,000	120,000	30,000
Total Business-Type Activities	6,506,797	-	271,526	6,235,271	322,253
Total Debt	\$ 6,862,299	\$ 584,800	\$ 322,882	\$ 7,124,217	\$ 369,577

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 6. DEBT (Continued)

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

The Ohio Public Works Commission (OPWC) Loan No CK38M relates to the West George Street Project. The OPWC has approved an interest free loan in the amount of \$250,000 for this project. The loan is being repaid in annual installments of \$12,500 over 20 years with final payment July 1, 2030. The loan is being repaid from the Permissive Tax Fund.

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

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

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

The Ohio Water Development Authority (OWDA) loan 5007 relates to the sanitary sewer phase III. The Village was approved for a loan in the amount of \$3,000,000 for this project. This loan is being repaid in annual installments of \$106,860, including principal and interest at 1.5%, over 30 years. OWDA loan 5007 is being repaid from the Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan CK619 loan relates to the construction of a new water tower. The OPWC has approved an interest free loan of \$489,000 to the Village for this project. In 2014, the Village repaid this loan in full.

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

The Ohio Public Works Commission (OPWC) Loan CK30C relates to the northwest sanitary sewer separation. The OPWC has approved an interest free loan of \$50,000 to the Village for this project. The loan is being repaid in annual installments of \$2,500 over 20 years with final payment July 1, 2020. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

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

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 6. DEBT (Continued)

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

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

The Ohio Public Works Commission (OPWC) Loan No. CT20Q relates to the South Main Street Reconstruction project. The OPWC has approved a \$500,000 grant with an interest free loan in the amount of \$610,000 for this project. As of December 31, 2014, this loan had not been fully disbursed or finalized.

Amortization of the above debt is scheduled as follows:

Year Ending December 30,	Business-Type Activities		
	OWDA Loans		
	Principal	Interest	Total
2015	\$ 206,003	\$ 106,709	\$ 312,712
2016	210,101	102,611	312,712
2017	214,308	98,404	312,712
2018	218,628	94,084	312,712
2019	223,065	89,646	312,711
2020-2024	1,186,300	367,259	1,553,559
2025-2029	1,279,960	246,979	1,526,939
2030-2034	1,206,501	102,378	1,308,879
2035-2039	512,905	21,395	534,300
Total	<u>\$ 5,257,771</u>	<u>\$ 1,229,465</u>	<u>\$ 6,487,236</u>

Year Ending December 30,	OPWC Loans		
	Principal	Interest	Total
	2015	\$ 86,250	\$ -
2016	57,500	-	57,500
2017	57,500	-	57,500
2018	57,500	-	57,500
2019	57,500	-	57,500
2020-2024	261,250	-	261,250
2025-2029	200,000	-	200,000
2030-2031	80,000	-	80,000
Total	<u>\$ 857,500</u>	<u>\$ -</u>	<u>\$ 857,500</u>

Year Ending December 30,	Artesian-Pioneer		
	Principal	Interest	Total
	2015	\$ 30,000	\$ -
2016	30,000	-	30,000
2017	30,000	-	30,000
2018	30,000	-	30,000
Total	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>

Year Ending December 30,	Governmental Activities		
	OPWC Loans		
	Principal	Interest	Total
2015	\$ 18,750	\$ -	\$ 18,750
2016	12,500	-	12,500
2017	12,500	-	12,500
2018	12,500	-	12,500
2019	12,500	-	12,500
2020-2024	62,500	-	62,500
2025-2029	62,500	-	62,500
2029-2032	6,250	-	6,250
Total	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>

Year Ending December 30,	Lease Purchase - Factory Building		
	Principal	Interest	Total
	2015	\$ 11,321	\$ -
2016	11,321	-	11,321
2017	11,321	-	11,321
2018	11,321	-	11,321
2019	11,323	-	11,323
2020	11,324	-	11,324
Total	<u>\$ 67,931</u>	<u>\$ -</u>	<u>\$ 67,931</u>

Year Ending December 30,	Fire Truck Bonds - Series 2013		
	Principal	Interest	Total
	2015	\$ 17,253	\$ 1,010
2016	17,734	529	18,263
2017	1,228	34	1,262
Total	<u>\$ 36,215</u>	<u>\$ 1,573</u>	<u>\$ 37,788</u>

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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 – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan – 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 – 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, but less than, 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, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For , member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan.

The member contribution rates for 2014, 2013, and 2012, were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications; and 12.0%, 13.0%, and 12.0%, and 12.6%, 11.5% and 12.1%, respectively, for members in public safety and law enforcement.

The employer contribution rates were 14.0%, 14.0%, and 14.0%, respectively, for state and local employers and 18.1%, 18.1%, and 18.1%, respectively for law enforcement and public safety employers for the years ended December 31, 2014, 2013, and 2012 for the Village.

The Village's contributions to OPERS for the years ended December 31, 2014, 2013 and 2012 were \$84,001, \$81,014, and \$81,380, respectively, which were equal to the required contributions for those years.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 7. RETIREMENT SYSTEMS (Continued)

Ohio Police and Fire Pension Fund

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

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2014, 2013, and 2012 were \$28,546, \$34,068, and \$28,980, 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 – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – 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 benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or 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.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 8. POSTEMPLOYMENT BENEFITS (Continued)

Employer's contributions are expressed as a percentage of the earnable salary of active members. In 2014, the Village contributed at 14.0% of earnable salary for local government employer units and 18.1% for public safety and law enforcement. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar year 2014. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. 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 \$12,000 for 2014, \$5,784 for 2013, \$23,250 for 2012, which were equal to the required contributions for each year.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

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 statutory survivor benefit or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 8. POSTEMPLOYMENT BENEFITS (Continued)

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, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 through December 31, 2014. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village of Arcanum's contributions to OP&F for the years ended December 31, 2014, 2013, and 2012 allocated to the healthcare plan were \$732, \$5,443, and \$10,027, respectively.

NOTE 9. RISK MANAGEMENT

Property and Liability

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2014, the Village contracted with a private insurance carrier for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Carrier</u>	<u>Coverage</u>
Property	ACORD Co.	\$11,867,891
General liability	ACORD Co.	\$1 million per occurrence
	ACORD Co.	\$3 million general aggregate
Automobile fleet liability	ACORD Co.	\$1 million combined single limit
Stop gap liability	ACORD Co.	\$1 million per occurrence
Employee benefits liability	ACORD Co.	\$1 million
Employment practices liability	ACORD Co.	\$1 million/\$3 million
Public officials liability	ACORD Co.	\$1 million/\$3 million
Umbrella liability	ACORD Co.	\$3 million
Law Enforcement	ACORD Co.	\$1 million/\$3 million

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

Worker's Compensation

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

Employee Medical Benefits

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

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 position will be shared by the Financing Participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations.

As of December 31, 2014, the Village had met its debt coverage obligation.

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

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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.

On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187.* AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$25,098 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

* Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

Amortization of the Participant's percentage share of debt as follows as of December 31, 2014 (the most recent available):

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

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.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participant's entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2014, the outstanding debt was \$11,938,283. The Village's net investment in OMEGA JV2 was \$6,483 at December 31, 2014. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership share at December 31, 2014 (the most recent available) are:

Municipality	Percent Ownership	KW Entitlement	Municipality	Percent Ownership	KW Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.48%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.80%	1,066	Custar	0.00%	4
	<u>95.2%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

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

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, 2014 and 2013 for these enterprises are indicated below:

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

Calculation of JV5 Debt Coverage

	2014	2013
Operating Income	\$ 180,990	\$ 217,264
JV5 Debt Service (Included above as operating expenses to Amp Ohio)	87,269	88,192
KWH Tax from General Fund	-	-
Adjusted Operating Income Available for Debt Service	<u>268,259</u>	<u>305,456</u>
OMEGA JV5 Debt Service (paid by Amp Ohio)	87,269	88,192
Other Electric System Debt Service	-	-
Total Electric System Debt	<u>\$ 87,269</u>	<u>\$ 88,192</u>
Coverage (Covenants require 110% coverage of all debt)	307%	346%

As of December 31, 2014

	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$ 2,212,170	\$ 1,094,381	\$ 3,306,551
Other Operating Receipts	37,869	5,676	43,545
Total Operating Cash Receipts	<u>2,250,039</u>	<u>1,100,057</u>	<u>3,350,096</u>
Operating Cash Disbursements:			
Personal Services	249,365	244,493	493,858
Travel Transportation	5,705	5,303	11,008
Contractual Services	1,694,739	170,734	1,865,473
Supplies and Materials	77,551	87,227	164,778
Capital Outlay	49,905	144,424	194,329
Total Operating Cash Disbursements	<u>2,077,265</u>	<u>652,181</u>	<u>2,729,446</u>
Operating Receipts Over (Under) Operating Disbursements	172,774	447,876	620,650
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Receipts	-	28,028	28,028
Other Nonoperating Disbursements	(31,187)	(1,186)	(32,373)
Principal Payments	-	(271,526)	(271,526)
Interest and Fiscal Charges	-	(110,704)	(110,704)
Total Non-Operating Receipts/(Disbursements)	<u>(31,187)</u>	<u>(355,388)</u>	<u>(386,575)</u>
Net Receipts Before Interfund Advances	141,587	92,488	234,075
Advances:			
Advances In	-	3,191	3,191
Total Advances	<u>-</u>	<u>3,191</u>	<u>3,191</u>
Change in Net Position	141,587	95,679	237,266
Net Position - Cash Basis, January 1	<u>1,577,027</u>	<u>1,471,708</u>	<u>3,048,735</u>
Net Position - Cash Basis, December 31	<u>\$ 1,718,614</u>	<u>\$ 1,567,387</u>	<u>\$ 3,286,001</u>

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 10. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2013	<u>Electric Fund</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Operating Cash Receipts:			
Charges for Services	\$ 2,109,975	\$ 1,084,355	\$ 3,194,330
Other Operating Receipts	-	17,978	17,978
Total Operating Cash Receipts	<u>2,109,975</u>	<u>1,102,333</u>	<u>3,212,308</u>
Operating Cash Disbursements:			
Personal Services	238,564	264,396	502,960
Travel Transportation	10,977	11,625	22,602
Contractual Services	1,494,665	235,997	1,730,662
Supplies and Materials	48,331	82,363	130,694
Capital Outlay	100,174	118,256	218,430
Total Operating Cash Disbursements	<u>1,892,711</u>	<u>712,637</u>	<u>2,605,348</u>
Operating Receipts Over (Under) Operating Disbursements	217,264	389,696	606,960
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Receipts	-	28,959	28,959
Other Nonoperating Disbursements	(30,642)	(14,658)	(45,300)
Principal Payments	-	(307,152)	(307,152)
Interest and Fiscal Charges	-	(114,595)	(114,595)
Total Non-Operating Receipts/(Disbursements)	<u>(30,642)</u>	<u>(407,446)</u>	<u>(438,088)</u>
Change in Net Position	186,622	(17,750)	168,872
Net Position - Cash Basis, January 1	1,390,405	1,489,458	2,879,863
Net Position - Cash Basis, December 31	<u>\$ 1,577,027</u>	<u>\$ 1,471,708</u>	<u>\$ 3,048,735</u>

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

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 11. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended December 31, 2014 were as follows:

Major Funds:	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 235,412	\$ -
South Main St. Reconstruction	-	206,902
Total Major Funds	<u>235,412</u>	<u>206,902</u>
Non-Major Funds:		
Fire Fund	-	15,000
Community Pool Fund	-	13,510
Total Non-Major Funds	<u>-</u>	<u>28,510</u>
Total	<u>\$ 235,412</u>	<u>\$ 235,412</u>

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

Interfund Advances

	<u>Advances In</u>	<u>Advances Out</u>
Major Fund:		
General	<u>\$-</u>	<u>\$3,191</u>
Major Proprietary Fund:		
Water Fund	<u>3,191</u>	<u>-</u>
Total Major Proprietary Fund	<u>3,191</u>	<u>-</u>
Total	<u>\$3,191</u>	<u>\$3,191</u>

During the year, the Village's General Fund made an advance to the Water Fund in order to cover the costs of new water meters. This advance is expected to be repaid in 2015 as receipts from the water meter charges repay the cost of the meters.

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.

Village of Arcanum
Darke County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 13. INCOME TAX

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

Employers within the Village are required to withhold income tax on employees' compensation and remit the tax to the Village. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue has been reported as revenue in the General Fund. Income tax revenue for 2014 was \$547,282.

NOTE 14. NEW ACCOUNTING PRINCIPLES

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined; while the precise impact is not known, it is deemed likely that this pronouncement would have a material impact on governments who prepare their financial statements in accordance with accounting principles generally accepted in the United States of America. Since the Village currently reports on the cash basis of accounting, there is not anticipated to be any effect on the financial statements; however, there will be additional disclosure requirements. The provisions of this statement are effective for the fiscal year ending December 31, 2015, and therefore will be adopted in the next fiscal year.

NOTE 15. FUND BALANCES

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

Fund Balances	General	South Main Street Reconstruction	All Other Governmental	Total Governmental Funds
Nonspendable				
Unclaimed Monies	\$ 1,381	\$ -	\$ -	\$ 1,381
Restricted for				
Other Purposes	-	-	192,996	192,996
Street Repair	-	-	83,394	83,394
State Highway	-	-	245,375	245,375
South Main Street Reconstruction	-	43,218	-	43,218
Debt Services Payments	-	-	51,962	51,962
Capital Projects	-	-	57,929	57,929
Total Restricted	<u>-</u>	<u>43,218</u>	<u>631,656</u>	<u>674,874</u>
Assigned				
FY15 Appropriations in excess of Estimated Receipts	43,242	-	-	43,242
Other Purposes	1,522	-	-	1,522
Total Assigned	<u>44,764</u>	<u>-</u>	<u>-</u>	<u>44,764</u>
Unassigned				
	<u>1,016,792</u>	<u>-</u>	<u>-</u>	<u>1,016,792</u>
Total Fund Balances	<u>\$ 1,062,937</u>	<u>\$ 43,218</u>	<u>\$ 631,656</u>	<u>\$ 1,737,811</u>



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Arcanum, Darke County, (the Village) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 16, 2017, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-001 and 2014-002 to be material weaknesses.

Compliance and Other Matters

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

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

VILLAGE OF ARCANUM
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014

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

FINDING NUMBER 2014-001

Material Weakness – Bank Reconciliation

Monthly reconciliations between the bank and the accounting system provide reasonable assurance that all receipts and disbursements have been correctly posted in the accounting system and have been correctly posted by the bank. The Village completed individual account bank to book reconciliations for each month during 2014. The Village's monthly bank reconciliations from the period of January through December contained multiple errors that caused the Village's reconciled bank balance to exceed the book balance by \$6,906. These errors included the following items:

- Failure to prepare an entity wide bank reconciliation which would include all Checking and Savings Accounts, Certificates of Deposit, Investments, and Petty Cash held by the Village;
- Failure to post a \$4,463.30 Gas Tax receipt to their CMI accounting system;
- Including checks written in the subsequent year on the current year's outstanding checklist.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions. Failure to properly reconcile the bank to the book monthly increases the chance of fraud, theft, error or omissions remaining unnoticed.

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

Officials' Response: The Village has returned to its previous software provider for payroll, which should help with reconciliation of the payroll account specifically. The Fiscal Officer intends to implement a procedure where all of the Village's deposit accounts are factored into the monthly reconciliation and comparing that number to the overall unexpensed balance of the Village rather than simply reconciling each account individually and looking at each difference separately. The Fiscal Officer will then present reports to Council with these reconciliations.

FINDING NUMBER 2014-002

Material Weakness – Financial Statement Misstatements

The Village prepared its annual financial statements in accordance with the Other Comprehensive Basis of Accounting (OCBOA) where it presented GAAP basis look-alike statements while still reporting activity on the cash basis of accounting. When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

**FINDING NUMBER 2014-002
(Continued)**

The Village's financial statements contained errors which were material and resulted in adjustments to the financial statements and accounting system as follows:

- Farm Ground Lease receipts in the amount of \$8,216 were erroneously posted to the Electric Fund as charges for services instead of to the Water Fund as charges for services. This caused Electric Fund charges for services receipts and fund balance to be overstated by \$8,216 and Water Fund charges for services receipts and fund balance to be understated by \$8,216.
- The General Fund budgetary statement included misstatements where final budgeted receipts were misclassified between receipt line item and understated in total by \$56,190 and final budgeted expenditures were misclassified between expenditure line item and were understated in total by \$39,246, final budgeted transfers out were overstated by \$324 and final budgeted advances out were overstated by \$23,922.

Failure to review the Village's annual financial statements could result in materially misstated financial statements and misleading financial information. The Village should implement procedures to review its annual financial statements to ensure that any significant errors are identified and corrected.

Officials' Response: Finding 2014-002 was fully corrected per the summary schedule of prior audit findings in 2015.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Failure to properly report financial statement activity	No	Not Corrected - Reissued as Finding Number 2014-002
2013-002	Ohio Rev. Code Section 5705.41(D)(1), failure to properly encumber expenditures.	No	Partially Corrected – Reissued as Management Letter citation

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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
JANUARY 4, 2018