



**VILLAGE OF ARCANUM  
DARKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2020**



VILLAGE OF ARCANUM  
DARKE COUNTY  
DECEMBER 31, 2020

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types .....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary Fund Types .....	6
Notes to the Financial Statements.....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	27

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Village of Arcanum  
Darke County  
309 South Albright Street  
P.O. Box 398  
Arcanum, Ohio 45304

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020, and related notes of the Village of Arcanum, Darke County, Ohio (the Village).

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

---

Efficient • Effective • Transparent

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2020, and the respective changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020, and related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2021, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 7, 2021

**This page intentionally left blank.**



**Village of Arcanum, Ohio**  
*Darke County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2020*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$130,435	\$112,254		\$242,689
Municipal Income Tax	680,190			680,190
Intergovernmental	96,596	454,805		551,401
Special Assessments	1,597		\$15,288	16,885
Charges for Services	26,521	58,364		84,885
Fines, Licenses and Permits	17,806			17,806
Earnings on Investments	31,450	17,003		48,453
Miscellaneous	93,717	21,911		115,628
<i>Total Cash Receipts</i>	<u>1,078,312</u>	<u>664,337</u>	<u>15,288</u>	<u>1,757,937</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	206,829	274,756		481,585
Public Health Services	10,395			10,395
Leisure Time Activities	2,805	8,122		10,927
Community Environment	93,803			93,803
Transportation		107,643		107,643
General Government	240,141	43,651		283,792
Capital Outlay		43,535	1,252,747	1,296,282
Debt Service:				
Principal Retirement	11,321	35,639	20,333	67,293
Interest and Fiscal Charges		6,255		6,255
<i>Total Cash Disbursements</i>	<u>565,294</u>	<u>519,601</u>	<u>1,273,080</u>	<u>2,357,975</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>513,018</u>	<u>144,736</u>	<u>(1,257,792)</u>	<u>(600,038)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	9,250	44,000	271,640	324,890
Transfers Out	(317,021)			(317,021)
Advances In		22,500		22,500
Advances Out	(22,500)			(22,500)
Loan Proceeds	27,976			27,976
USDA Loan Proceeds			120,310	120,310
OPWC Loan Proceeds			274,501	274,501
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(302,295)</u>	<u>66,500</u>	<u>666,451</u>	<u>430,656</u>
<i>Net Change in Fund Cash Balances</i>	210,723	211,236	(591,341)	(169,382)
<i>Fund Cash Balances, January 1</i>	<u>540,533</u>	<u>653,560</u>	<u>718,619</u>	<u>1,912,712</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$751,256</u></u>	<u><u>\$864,796</u></u>	<u><u>\$127,278</u></u>	<u><u>\$1,743,330</u></u>

See accompanying notes to the financial statements

**Village of Arcanum, Ohio**  
*Darke County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2020*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$3,825,246
Miscellaneous	49,793
Special Assessments	1,652
	3,876,691
<i>Total Operating Cash Receipts</i>	<i>3,876,691</i>
<b>Operating Cash Disbursements</b>	
Personal Services	796,970
Contractual Services	2,250,763
Supplies and Materials	262,477
Travel Transportation	7,389
	3,317,599
<i>Total Operating Cash Disbursements</i>	<i>3,317,599</i>
<i>Operating Income</i>	<i>559,092</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(524,668)
Principal Retirement	(329,078)
Interest and Other Fiscal Charges	(208,601)
Other Non-Operating Receipts	14,769
Other Non-Operating Disbursements	(4,239)
	(1,051,817)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(1,051,817)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(492,725)</i>
<i>Fund Cash Balances, January 1</i>	<i>4,218,313</i>
<i>Fund Cash Balances, December 31</i>	<i>\$3,725,588</i>

*See accompanying notes to the financial statements*

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

**Note 1 – Reporting Entity**

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

The Village participates in joint ventures. Note 13 to the financial statements provides additional information for these entities.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund***

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

***Special Revenue Funds***

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

***Street Fund***

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

***State Highway Fund***

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing State Highways within the Village.

***Fire Fund***

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

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

*Coronavirus Distribution Fund*

This fund receives CARES Act monies for expenses related to the COVID-19 pandemic and the continuing emergency measures.

***Capital Project Funds***

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

*Village Admin/Police Department Project Fund*

This fund is used to account for all financial resources and expenses associated with the construction of the new Municipal building in the Village. The fund receives transfers and loan proceeds.

*North Street Reconstruction Fund*

This fund is used to account for all financial resources and expenses associated with the reconstruction of North Street in the Village. This fund receives special assessment receipts and loan proceeds from the Ohio Public Works Commission.

***Enterprise Funds***

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

*Sewer Fund*

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

*Electric Fund*

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

*Water Fund*

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

***Basis of Accounting***

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

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

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

***Budgetary Process***

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

***Appropriations***

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

***Estimated Resources***

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

***Encumbrances***

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

A summary of 2020 budgetary activity appears in Note 3.

***Deposits and Investments***

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

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

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

***Nonspendable***

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory cash reporting purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

***Restricted***

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

***Committed***

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

***Assigned***

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory cash reporting purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

***Unassigned***

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

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

For regulatory cash reporting purposes, limited disclosure related to fund balance is included in Note 14.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,200,935	\$915,943	\$284,992
Special Revenue	690,882	596,599	94,283
Capital Projects	1,715,429	1,273,080	442,349
Enterprise	5,243,901	4,451,233	792,668
Total	\$8,851,147	\$7,236,855	\$1,614,292

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,020,265	\$1,115,538	\$95,273
Special Revenue	713,431	730,837	17,406
Capital Projects	904,304	681,739	(222,565)
Enterprise	4,273,630	3,891,460	(382,170)
<b>Total</b>	<b>\$6,911,630</b>	<b>\$6,419,574</b>	<b>(\$492,056)</b>

**Note 4 – Deposits and Investments**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit and investment accounts are as follows:

	2020
<b><i>Cash Management Pool:</i></b>	
Demand deposits	\$4,091,808
Certificates of deposit	1,115,614
Total deposits	5,207,422
STAR Ohio	261,496
Total investments	261,496
 Total Deposits and Investments	 \$5,468,918

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of public monies deposited in the financial institution.

***Investments***

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

**Note 5 – Taxes**

***Property Taxes***

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

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

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

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

***Income Taxes***

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

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

**Note 6 – Interfund Balances**

Outstanding advances at December 31, 2020, consisted of \$22,500 advanced to the Parks, Pool and Recreation Levy fund (a special revenue fund) for a parks project.

**Note 7 – Risk Management**

The Village has obtained commercial insurance for the following risks:

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

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

***Social Security***

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.



**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Ohio Police and Fire Pension Fund**

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Note 10 – Debt**

Debt activity during 2020 was as follows:

	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Lease Purchase- Factory Building	\$10,876		\$10,876	
OPWC W. George Street CK38M	\$131,250		\$12,500	\$118,750
OPWC S. Main Street CT20Q	518,501		20,333	498,168
Fire Truck	179,530		23,139	156,391
OPWC North Street Construction CT55W	32,287	274,501		306,788
USDA Municipal Building Bond #	879,690	120,310	21,000	979,000
Greenville National Bank Server Loan		28,225		28,225
<i>Total Governmental Funds</i>	<u>1,752,134</u>	<u>423,036</u>	<u>87,848</u>	<u>2,087,322</u>
<b>Enterprise Funds</b>				
OWDA Loan 3770	\$ 1,575,356		101,924	\$ 1,473,432
OWDA Loan 3771	690,446		35,478	\$ 654,968
OWDA Loan 4565	79,369		10,673	\$ 68,696
OWDA Loan 5007	1,840,494		79,549	\$ 1,760,945
OWDA Loan 8237	58,422		6,153	\$ 52,269
OPWC Phase II CK06F	60,000		15,000	\$ 45,000
OPWC NW Storm CK30C	1,250		1,250	
USDA Revenue Bonds - WWTP	5,100,700		77,800	\$ 5,022,900
<i>Total Enterprise Funds</i>	<u>9,406,037</u>		<u>327,827</u>	<u>9,078,210</u>
<b>Total</b>	<u>\$11,158,171</u>	<u>\$423,036</u>	<u>\$415,675</u>	<u>\$11,165,532</u>

# - 2020 payment made with enterprise funds, but will primarily be repaid with governmental funds.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

The lease purchase agreement relates to the purchase of a factory building that is to be used for the Village's street department. The original amount of the lease purchase agreement was \$169,820. The lease to purchase is being paid in annual installments of \$11,321, including principal and interest at 4.1%, over 15 years. The lease was paid in full from the General Fund during 2020.

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

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

The Ohio Public Works Commission (OPWC) Loan No. CT55W relates to the North Street Reconstruction project. The OPWC approved an interest free loan in the amount of \$352,000 for this project. The project is on-going at December 31, 2020 and no amortization schedule has been set.

The United State Department of Agriculture (USDA) Municipal Building Bond is related to a new Village administration/police building. The building was completed in February 2020. The total bond amount was \$1 million with an interest rate of 3% to be paid annually through 2049. The bond was repaid with the Water, Sewer, Electric funds during 2020, but governmental funds will also be used in the future for the repayment.

Greenville National Bank approved a five-year loan in the amount of \$28,225 bearing an interest rate of 2.85% to purchase new servers. The loan will be repaid in annual installments of \$6,137 with final payment July 29, 2025. This loan will be paid from governmental and enterprise funds.

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

The Ohio Water Development Authority (OWDA) loan 3771 relates to the sanitary sewer phase II. The Village was approved for a loan in the amount of \$2,000,000. In May 2009, it was determined that the full amount would not need to be drawn on the loan. The loan is being repaid at 4.84% with the final payment scheduled on January 1, 2034. The loan is collateralized by water and sewer receipts and is being repaid from the Sewer Fund.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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 Water Development Authority (OWDA) loan 8237 relates to the Albright Road water extension. The Village was approved for a loan in the amount of \$66,945 for this project. This loan is being repaid in semi-annual installments of \$3,903, including principal and interest at 2.87% and 3.14%, over 10 years. The OWDA loan 8237 is being repaid from the Water Fund.

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

The Ohio Public Works Commission (OPWC) Loan CK30C relates to the northwest sanitary sewer separation. The OPWC approved an interest free loan of \$50,000 to the Village for this project. The loan was paid in full during 2020 from the Sewer Fund.

The United States Department of Agriculture (USDA) Revenue Bonds relates to the Wastewater Treatment Plant project. The Wastewater Treatment Plant project started in August 2017 and was completed in May of 2019. The total bond amount was \$5,250,000 with an interest rate of 2.75% to be paid annually through 2057. The bond is being paid from the WWTP Debt Repayment Fund.

***Amortization***

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

<b>Enterprise Funds</b>				<b>Governmental Funds</b>			
Year Ending	<b>OWDA Loans</b>			Year Ending	<b>OWPC Loans</b>		
December 31,	Interest	Principal	Total	December 31,	Interest	Principal	Total
2021	81,876	238,643	320,519	2021	-	32,833	32,833
2022	76,875	243,643	320,518	2022	-	32,833	32,833
2023	71,734	248,785	320,519	2023	-	32,833	32,833
2024	66,446	254,073	320,519	2024	-	32,833	32,833
2025	61,006	259,512	320,518	2025	-	32,833	32,833
2026-2030	220,040	1,314,207	1,534,247	2026-2030	-	157,917	157,917
2031-2035	77,153	1,038,081	1,115,234	2031-2035	-	101,667	101,667
2036-2040	14,073	413,365	427,438	2036-2040	-	101,667	101,667
Total	\$669,203	\$4,010,309	\$4,679,512	2041-2045	-	91,500	91,500
				Total	-	\$616,916	\$ 616,916

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

Year Ending	OWPC Loans			Year Ending	Fire Truck Loan		
December 31,	Interest	Principal	Total	December 31,	Interest	Principal	Total
2021	-	15,000	15,000	2021	5,414	23,912	29,326
2022	-	15,000	15,000	2022	4,586	24,740	29,326
2023	-	15,000	15,000	2023	3,730	25,596	29,326
				2024	2,852	26,474	29,326
Total	\$ -	\$45,000	\$ 45,000	2025	1,929	27,397	29,326
				2026	981	28,345	29,326
				Total	\$19,492	\$156,464	\$175,956
<b>USDA Revenue Bonds - WWTP</b>				Year Ending	<b>Server Loan</b>		
Year Ending				December 31,	Interest	Principal	Total
December 31:	Interest	Principal	Total	2021	804	5,333	6,137
2021	138,130	80,000	218,130	2022	652	5,485	6,137
2022	135,930	82,100	218,030	2023	496	5,641	6,137
2023	133,672	84,300	217,972	2024	335	5,802	6,137
2024	131,354	86,700	218,054	2025	170	5,964	6,134
2025	128,970	89,100	218,070	Total	\$2,457	\$ 28,225	\$ 30,682
2026-2030	606,730	483,500	1,090,230				
2031-2035	536,492	553,700	1,090,192	<b>USDA Municipal Building Bond</b>			
2036-2040	456,052	634,100	1,090,152	Year Ending			
2041-2045	363,932	726,300	1,090,232	December 31:	Interest	Principal	Total
2046-2050	258,420	831,800	1,090,220	2021	29,370	21,700	51,070
2051-2055	137,583	952,500	1,090,083	2022	28,719	22,300	51,019
2056-2057	17,353	418,800	436,153	2023	28,050	22,900	50,950
Total	\$3,044,618	\$5,022,900	\$8,067,518	2024	27,363	23,700	51,063
				2025	26,652	24,400	51,052
				2026-2030	121,845	133,200	255,045
				2031-2035	100,626	154,500	255,126
				2036-2040	76,020	179,100	255,120
				2041-2045	47,499	207,600	255,099
				2046-2050	14,430	189,600	204,030
				Total	\$500,574	\$979,000	\$1,479,574

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

**Note 11 – Construction and Contractual Commitments**

The Village's North Street Reconstruction project with a total cost of \$1,100,000 was ongoing at December 31, 2020. The Village share is \$396,000 and other sources of funding includes Ohio Public Works Commission (OPWC) grant in the amount of \$352,000 and OPWC loan in the amount of \$352,000. As of December 31, 2020, \$1,032,765 has been paid. The Village's Northwest Area Storm Sewer Outlet project with a total cost of \$315,000 was also ongoing at December 31, 2020. The Village share is \$65,000 and the Community Development Block Grant (CDBG) portion is \$250,000. As of December 31, 2020, \$27,995 has been paid.

**Note 12 – Contingent Liabilities**

**Federal and State Grants**

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

**Note 13 – 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.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

As of December 31, 2020, the Village had not met its debt coverage obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30-year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable had been reduced at December 31, 2016 to \$0.

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

The Village's net investment to date in OMEGA JV5 was \$25,098 at December 31, 2019 (the most current information available). Complete financial statements for OMEGA JV5 may be obtained from AMP.

#### 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 Financial Statements*  
*For the Year Ended December 31, 2020*

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, 2020, the debt for JV2 has been retired. The Village's net investment in OMEGA JV2 was \$960 at December 31, 2019 (the most current information available). Complete financial statements for OMEGA JV2 may be obtained from AMP.

The thirty-six participating subdivisions and their respective ownership share at December 31, 2019 (the most current information 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	<u>0.80%</u>	<u>1,066</u>	Custar	0.00%	4
	95.2%	127,640		<u>4.80%</u>	<u>6,441</u>
			Grand Total	100.00%	134,081

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

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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 year ended December 31, 2020 for these enterprises are indicated below:

**Calculation of JV5 Debt Coverage**

		2020
Operating Income	\$	(46,830)
JV5 Debt Service (included below as cash disbursements to AMP Ohio)		75,735
KWH Tax from General fund		-
Adjusted Operating Income Available for Debt Service		28,905
OMEGA JV5 Debt Services (paid to AMP Ohio)		75,735
Other Electric System Debt Service		-
Total Electric System Debt	\$	75,735
Coverage (Covenants require 110% coverage of all debt)		38%



**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

As of December 31, 2020:

	<b>Electric Fund</b>	<b>Other Proprietary Funds</b>	<b>Total Proprietary Funds</b>
<b>Operating Cash Receipts</b>			
Charges for Services	2,428,441	1,396,805	3,825,246
Other Operating Receipts	34,735	16,710	51,445
<b>Total Operating Cash Receipts</b>	<b>2,463,176</b>	<b>1,413,515</b>	<b>3,876,691</b>
<b>Operating Cash Disbursements</b>			
Personal Services	426,529	370,441	796,970
Contractual Services	1,972,930	277,833	2,250,763
Supplies and Materials	106,114	156,363	262,477
Other Operating Disbursements	4,433	2,956	7,389
<b>Total Operating Cash Disbursements</b>	<b>2,510,006</b>	<b>807,593</b>	<b>3,317,599</b>
Operating Receipts Over (Under) Operating Disbursements	(46,830)	605,922	559,092
<b>Non-Operating Receipts (Disbursements)</b>			
Other Non-Operating Receipts		14,769	14,769
Other Non-Operating Disbursements		(4,239)	(4,239)
Capital Outlay	(294,755)	(229,913)	(524,668)
Principal Retirement		(329,078)	(329,078)
Interest and Other Fiscal Charges		(208,601)	(208,601)
<b>Total Non-Operating Receipts (Disbursements)</b>	<b>(294,755)</b>	<b>(757,062)</b>	<b>(1,051,817)</b>
Change in Net Position	(341,585)	(151,140)	(492,725)
Net Position - Cash Basis, January 1	2,374,437	1,843,876	4,218,313
Net Position - Cash Basis, December 31	2,032,852	1,692,736	3,725,588

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

As more fully described in the previous paragraphs, the Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 2,237 kilowatts of a total 771,281 kilowatts, giving the Village a 0.29 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$384,570. The Village received a credit of \$56,955 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$101,168 related to the AMPGS costs deemed to have future benefit for the project participants, and made payments of \$300,000 leaving a net credit balance of impaired cost estimate of \$73,553. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable. Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$4,721, and interest credited to the Village has been \$8,845, resulting in a net credit balance at December 31, 2020 of \$77,677. During 2020, the Village made no payments to AMP toward its net impaired cost estimate.

**Note 14 – Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Total
Nonspendable:		
Unclaimed Monies	\$7,869	7,869
Assigned:		
Outstanding Encumbrances	11,128	11,128
<i>Total</i>	<u>\$18,997</u>	<u>\$18,997</u>

The fund balance of special revenue funds and capital projects funds are restricted. These restricted amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Village of Arcanum**  
**Darke County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

---

---

**Note 15 – Change in Accounting Principle**

For 2020, the Village has made a change to their cash basis reporting model. This change was removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

**Note 16 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274  
WestRegion@ohioauditor.gov

## 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  
309 South Albright Street  
P.O. Box 398  
Arcanum, Ohio 45304

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020, and related notes of the Village of Arcanum, Darke County, (the Village) and have issued our report thereon dated May 7, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 financial statements. 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*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

May 7, 2021

VILLAGE OF  
**ARCANUM**

PO Box 398, 309 S. Albright St.  
 Arcanum, OH 45304

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 DECEMBER 31, 2020**

OFFICES OF:

Mayor  
 937-692-8500

Village  
 Administration  
 937-692-8500

Municipal Tax  
 937-692-8500

Municipal Utilities  
 937-692-8565

Planning & Zoning  
 937-692-8500

Parks & Recreation  
 937-692-8500

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Significant Deficiency – Failure to complete proper bank reconciliations	Fully Corrected	
2019-002	Material Weakness – Various financial statement errors resulting in adjustment	Partially Corrected	Corrections made, matter included in management letter for 2020.

Fax:  
 937-692-5163

Web Site:  
[Villageofarc anum.com](http://Villageofarc anum.com)

**This page intentionally left blank.**



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF ARCANUM**

**DARKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 5/27/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)