



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ARCANUM
DARKE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Arcanum
Darke County
104 W. South Street
Arcanum, Ohio 45304

To the Village Mayor and Council:

We have audited the accompanying financial statements of the Village of Arcanum, Darke County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2000, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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

JIM PETRO
Auditor of State

June 15, 2000

**VILLAGE OF ARCANUM
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$246,587	\$8,228	\$27,424	\$0	\$6,218	\$288,457
Intergovernmental Receipts	245,622	80,252	4,158	147,635	939	478,606
Charges for Services	1,380	219,031			3,840	224,251
Fines, Licenses, and Permits	4,755					4,755
Earnings on Investments	84,776	16,669				101,445
Miscellaneous	27,972	8,627				36,599
Total Cash Receipts	611,092	332,807	31,582	147,635	10,997	1,134,113
Cash Disbursements:						
Current:						
Security of Persons and Property	180,341	58,901			5,300	244,542
Public Health Services	8,366					8,366
Leisure Time Activities	11,967	66,697				78,664
Community Environment	54,844					54,844
Basic Utility Services		104,848			2,825	107,673
Transportation		76,263				76,263
General Government	89,317		658		145	90,120
Debt Service:						
Principal Payments		4,500	45,235			49,735
Interest Payments		963	6,648			7,611
Capital Outlay	46,639	79,696		147,635		273,970
Total Disbursements	391,474	391,868	52,541	147,635	8,270	991,788
Total Receipts Over/(Under) Disbursements	219,618	59,061	(20,959)	0	2,727	142,325
Other Financing Receipts/(Disbursements):						
Transfers-In		74,200	19,000			93,200
Advances-In	1,000	1,000				2,000
Transfers-Out	(74,200)					(74,200)
Advances-Out	(1,000)	(1,000)				(2,000)
Total Other Financing Receipts/(Disbursements)	(74,200)	74,200	19,000	0	0	19,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	145,418	15,139	(1,959)	0	2,727	161,325
Fund Cash Balances January 1	585,913	215,664	65,558	9,123	18,427	894,685
Fund Cash Balances, December 31	\$731,331	\$230,803	\$63,599	\$9,123	\$21,154	\$1,056,010
Reserves for Encumbrances, December 31	\$28,074	\$16,679	\$0	\$0	\$0	\$44,753

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,748,326
Miscellaneous	35,801
	1,784,127
Operating Cash Disbursements:	
Personal Services	428,600
Transportation	8,645
Contractual Services	948,475
Supplies and Materials	240,366
Capital Outlay	79,352
	1,705,438
Operating Income/(Loss)	78,689
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	8,477
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	70,212
Transfers-Out	(19,000)
Net Receipts Over/(Under) Disbursements	51,212
Fund Cash Balances, January 1	1,268,296
Fund Cash Balances, December 31	\$1,319,508
Reserve for Encumbrances, December 31	\$293,997

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$234,402	\$8,139	\$27,126	\$0	\$6,100	\$275,767
Intergovernmental Receipts	180,173	80,687	4,760		1,025	266,645
Charges for Services	1,430	208,547			3,351	213,328
Fines, Licenses, and Permits	5,516	284				5,800
Earnings on Investments	84,560	17,639				102,199
Miscellaneous	24,720	15,222				39,942
Total Cash Receipts	530,801	330,518	31,886	0	10,476	903,681
Cash Disbursements:						
Current:						
Security of Persons and Property	169,209	45,686			4,504	219,399
Public Health Services	8,173					8,173
Leisure Time Activities	7,440	64,072				71,512
Community Environment	68,846					68,846
Basic Utility Services		114,977				114,977
Transportation		72,513				72,513
General Government	79,197	29,997	1,629		154	110,977
Debt Service:						
Principal Payments		4,500	42,788			47,288
Interest Payments		1,094	861			1,955
Capital Outlay		197,629				197,629
Total Disbursements	332,865	530,468	45,278	0	4,658	913,269
Total Receipts Over/(Under) Disbursements	197,936	(199,950)	(13,392)	0	5,818	(9,588)
Other Financing Receipts/(Disbursements):						
Sale of Bonds		130,700				130,700
Sale of Fixed Assets		48,700				48,700
Transfers-In		64,950	19,000			83,950
Advance-In		6,500				6,500
Transfers-Out	(64,950)	0				(64,950)
Advance-Out		(6,500)				(6,500)
Other Uses					(3,281)	(3,281)
Total Other Financing Receipts/(Disbursements)	(64,950)	244,350	19,000	0	(3,281)	195,119
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	132,986	44,400	5,608	0	2,537	185,531
Fund Cash Balances January 1	452,927	171,264	59,950	9,123	15,890	709,154
Fund Cash Balances, December 31	\$585,913	\$215,664	\$65,558	\$9,123	\$18,427	\$894,685
Reserves for Encumbrances, December 31	\$8,551	\$2,283	\$0	\$0	\$0	\$10,834

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,690,205
Miscellaneous	40,919
	1,731,124
Total Operating Cash Receipts	1,731,124
Operating Cash Disbursements:	
Personal Services	411,089
Transportation	11,919
Contractual Services	878,145
Supplies and Materials	169,830
Capital Outlay	49,844
	1,520,827
Total Operating Cash Disbursements	1,520,827
Operating Income/(Loss)	210,297
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	8,759
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	201,538
Transfers-Out	(19,000)
Net Receipts Over/(Under) Disbursements	182,538
Fund Cash Balances, January 1	1,085,758
Fund Cash Balances, December 31	\$1,268,296
Reserve for Encumbrances, December 31	\$183,433

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

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

D. Fund Accounting

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

The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

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

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

3. Debt Service Funds

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

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

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

4. Capital Project Funds

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

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

5. Enterprise Funds

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

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

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

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

6. Fiduciary Funds (Trust and Agency Funds)

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 699,477	\$ 510,171
Certificates of deposit	<u>1,200,000</u>	<u>1,200,000</u>
Total deposits	<u>1,899,477</u>	<u>1,710,171</u>
STAR Ohio	<u>476,041</u>	<u>452,810</u>
Total deposits and investments	<u><u>\$ 2,375,518</u></u>	<u><u>\$ 2,162,981</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 428,650	\$ 611,092	\$ 182,442
Special Revenue	383,400	407,007	23,607
Debt Service	48,150	50,582	2,432
Capital Projects	149,135	147,635	(1,500)
Enterprise	1,823,800	1,784,127	(39,673)
Fiduciary	<u>16,650</u>	<u>10,997</u>	<u>(5,653)</u>
Total	<u><u>\$ 2,849,785</u></u>	<u><u>\$ 3,011,440</u></u>	<u><u>\$ 161,655</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 585,136	\$ 493,748	\$ 91,388
Special Revenue	436,574	408,547	28,027
Debt Service	52,635	52,541	94
Capital Projects	147,635	147,635	0
Enterprise	2,167,711	2,026,912	140,799
Fiduciary	<u>18,000</u>	<u>8,270</u>	<u>9,730</u>
Total	<u><u>\$ 3,407,691</u></u>	<u><u>\$ 3,137,653</u></u>	<u><u>\$ 270,038</u></u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 418,100	\$ 530,801	\$ 112,701
Special Revenue	340,490	574,868	234,378
Debt Service	48,300	50,886	2,586
Capital Projects	0	0	0
Enterprise	1,841,900	1,731,124	(110,776)
Fiduciary	16,650	10,476	(6,174)
Total	<u>\$ 2,665,440</u>	<u>\$ 2,898,155</u>	<u>\$ 232,715</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 530,987	\$ 406,366	\$ 124,621
Special Revenue	560,484	532,751	27,733
Debt Service	176,002	45,278	130,724
Capital Projects	6,764	0	6,764
Enterprise	2,006,564	1,732,019	274,545
Fiduciary	18,000	7,939	10,061
Total	<u>\$ 3,298,801</u>	<u>\$ 2,724,353</u>	<u>\$ 574,448</u>

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$ 301,490	0%
Road Improvement Bonds	18,000	4.05%
Fire Equipment Acquisition Bonds	107,000	4.87%
Total	\$ 426,490	

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

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

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

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

Year ending December 31:	OPWC Loan	Road Improvement Bonds	Fire Acquisition Bonds
2000	\$ 21,535	\$ 5,229	\$ 30,111
2001	21,535	5,047	30,098
2002	21,535	4,865	30,027
2003	21,535	4,682	30,098
2004	21,535	0	0
2005-09	107,675	0	0
2010-13	86,140	0	0
Total	\$ 301,490	\$ 19,823	\$ 120,334

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability
- Public official's liability
- Vehicle
- Law Enforcement
- Property

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Village Mayor and Council:

We have audited the accompanying financial statements of the Village of Arcanum, Darke County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-30318-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 15, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 15, 2000

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-30319-001

Noncompliance Citation:

Ohio Rev. Code Section 5705.41 (D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within thirty days of the date of the fiscal officer's certification.

The Village did not comply with the certification requirements and did not fulfill the requirements of the exception for 15% of the expenditure transactions examined for 1999.

The Village should implement policies and procedures to insure compliance with the certification requirements.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
AUGUST 15, 2000**