



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF ARCANUM
DARKE COUNTY
DECEMBER 31, 2024**

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65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Arcanum, Darke County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2024, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying 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, 2024, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2024, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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 5, 2025

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Village of Arcanum
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, 2024

	General	Special Revenue	Capital Projects	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$160,397	\$220,064		\$380,461
Municipal Income Tax	851,158			851,158
Intergovernmental	126,697	187,892	343,946	658,535
Special Assessments	11,135		1,131	12,266
Charges for Services	61,130	91,821		152,951
Licenses, Permits and Fees	2,458			2,458
Earnings on Investments	62,349	184		62,533
Miscellaneous	34,970	117,606		152,576
<i>Total Cash Receipts</i>	<i>1,310,294</i>	<i>617,567</i>	<i>345,077</i>	<i>2,272,938</i>
Cash Disbursements				
Current:				
Security of Persons and Property	365,043	248,603		613,646
Public Health Services	11,198			11,198
Leisure Time Activities	1,410	65,018		66,428
Community Environment	85,432			85,432
Transportation		283,864		283,864
General Government	339,171			339,171
Intergovernmental			89	89
Capital Outlay	349,744	36,576	365,774	752,094
Debt Service:				
Principal Retirement	5,800	50,974	54,259	111,033
Interest and Fiscal Charges	337	19,383	27,363	47,083
<i>Total Cash Disbursements</i>	<i>1,158,135</i>	<i>704,418</i>	<i>447,485</i>	<i>2,310,038</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>152,159</i>	<i>(86,851)</i>	<i>(102,408)</i>	<i>(37,100)</i>
Other Financing Receipts (Disbursements)				
Transfers In		105,850	100,125	205,975
Transfers Out	(205,975)			(205,975)
Advances In	28,722			28,722
Advances Out			(28,722)	(28,722)
<i>Total Other Financing Receipts (Disbursements)</i>	<i>(177,253)</i>	<i>105,850</i>	<i>71,403</i>	<i>0</i>
<i>Net Change in Fund Cash Balances</i>	<i>(25,094)</i>	<i>18,999</i>	<i>(31,005)</i>	<i>(37,100)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,803,993</i>	<i>797,263</i>	<i>106,649</i>	<i>2,707,905</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,778,899</i>	<i>\$816,262</i>	<i>\$75,644</i>	<i>\$2,670,805</i>

See accompanying notes to the financial statements

Village of Arcanum
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, 2024

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$4,580,619
Miscellaneous	<u>16,684</u>
<i>Total Operating Cash Receipts</i>	<u>4,597,303</u>
Operating Cash Disbursements	
Personal Services	887,772
Contractual Services	2,302,061
Supplies and Materials	355,255
Travel Transportation	<u>18,030</u>
<i>Total Operating Cash Disbursements</i>	<u>3,563,118</u>
Operating Income	<u>1,034,185</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	15,445
Capital Outlay	(723,184)
Principal Retirement	(340,773)
Interest and Other Fiscal Charges	(193,372)
Other Non-Operating Receipts	9,074
Other Non-Operating Disbursements	<u>(3,598)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,236,408)</u>
Net Change in Fund Cash Balances	<u>(202,223)</u>
Fund Cash Balances, January 1	<u>3,739,016</u>
Fund Cash Balances, December 31	<u>\$3,536,793</u>

See accompanying notes to the financial statements

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

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 10 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.

Fire Fund

This fund receives property tax receipts, grant receipts, and proceeds of charges for services for providing fire protection to Village residents and other local governments.

State Highway Fund

This fund receives gasoline tax and motor vehicle tax money restricted for routine maintenance of state highway within the Village. This fund also received reimbursement of shared costs for a project that was paid for within the fund.

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 fund:

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

East/First/Albright/South Streets Reconstruction Fund

This fund is used to account for grant receipts and related expenses associated with the reconstruction of East, First, Albright and South Streets in the Village. This fund received grants from the Ohio Public Works Commission and Community Development Block Grant (CDBG).

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:

Water Fund

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

Sewer Fund

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

Electric Fund

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

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 (C). 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 (C) permit.

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 2024 budgetary activity appears in Note 3.

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

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

Village employees earn sick and vacation time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Leases and SBITAs

The Village is the lessor in a lease (as defined by GASB 87) related to land under noncancelable lease. Lease revenue is recognized when they are received.

The Village has entered into noncancelable subscription-based information technology arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including, contracts related to public safety software. Subscription disbursements are recognized when they are paid.

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 purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village.

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 purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

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 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2024 follows:

2024 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,205,548	\$1,339,016	\$133,468
Special Revenue	699,026	723,417	24,391
Capital Projects	2,560,854	445,202	(2,115,652)
Enterprise	4,696,474	4,621,822	(74,652)
Total	<u>\$9,161,902</u>	<u>\$7,129,457</u>	<u>(\$2,032,445)</u>

2024 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,930,906	\$1,376,468	\$554,438
Special Revenue	2,225,422	715,849	1,509,573
Capital Projects	2,583,002	476,207	2,106,795
Enterprise	6,105,777	4,935,159	1,170,618
Total	<u>\$12,845,107</u>	<u>\$7,503,683</u>	<u>\$5,341,424</u>

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 deposits and investments accounts at December 31 are as follows:

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

	2024
Cash Management Pool:	
Demand deposits	\$4,787,705
Certificates of deposit	1,123,794
Cash on Hand	400
Total deposits	<u>5,911,899</u>
STAR Ohio	295,699
Total investments	<u>295,699</u>
Total carrying amount of deposits and investments	<u><u>6,207,598</u></u>

Deposits

Deposits are insured by the Federal Deposit 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.

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 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village 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

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 7 – 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, 2024.

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, 2024.

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, 2024.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. OP&F uses a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses. For calendar year 2024, the portion of employer contributions OPERS allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2024, the portion of contributions OPERS allocated to health care for members in the member-directed plan was 4 percent, however, a portion of the health care rate was funded with reserves. OP&F contributes 0.5 percent to fund these benefits.

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Note 9 – Debt

Debt activity during 2024 was as follows:

	Balance			Balance
	1/1/2024	Additions	Deletions	12/31/2024
Governmental Funds				
OPWC W. George St. CK38M	81,250	-	12,500	68,750
Greenville National Bank Server Loan	11,766	-	5,800	5,966
OPWC S. Main St. CT20Q	437,169	-	20,333	416,836
OPWC North Street Construction CT55W	276,110	-	10,226	265,884
Greenville National Bank Fire Truck	595,625	-	38,474	557,151
USDA Municipal Building Bond	912,100	-	23,700	888,400
<i>Total Governmental Funds</i>	<u>2,314,020</u>	<u>-</u>	<u>111,033</u>	<u>2,202,987</u>
Enterprise Funds				
OWDA Loan 3770	1,158,360	-	108,203	1,050,157
OWDA Loan 3771	537,762	-	42,957	494,805
OWDA Loan 4565	35,437	-	11,557	23,880
OWDA Loan 5007	1,515,038	-	84,450	1,430,588
OWDA Loan 8237	32,708	-	6,906	25,802
USDA Revenue Bonds WWTP	4,776,500	-	86,700	4,689,800
<i>Total Enterprise Funds</i>	<u>8,055,805</u>	<u>-</u>	<u>340,773</u>	<u>7,715,032</u>
Total	<u>10,369,825</u>	<u>-</u>	<u>451,806</u>	<u>9,918,019</u>

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.

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 the General Fund.

The Ohio Public Works Commission (OPWC) Loan No. CT20Q relates to the South Main Street Reconstruction project. The OPWC 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 Ohio Public Works Commission (OPWC) Loan No. CT55W relates to the North Street Reconstruction project. The OPWC approved a \$352,000 grant with an interest free loan in the amount of \$306,788 for this project. The loan is being repaid in annual installments of \$10,226 over 30 years with final payment January 1, 2051. The loan is being repaid from the North Street Reconstruction Fund.

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Greenville National Bank approved a 15-year loan in the amount of \$643,908 bearing an interest rate of 3.25% for the purchase of a Rosenbauer Rescue fire truck. The loan will be repaid in annual installments of \$57,858 with a final maturity date of December 15, 2036. This loan will be repaid from the Fire Fund.

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 Village Admin/Police Department Capital Projects Fund during 2024.

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.

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 expansion. 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 United State Department of Agriculture (USDA) Revenue Bonds relates to the Wastewater Treatment Plant project. The Wastewater Treatment Plant project started in August 2017. The project was completed in May 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.

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Amortization

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

Enterprise Funds				Governmental Funds							
Year Ending December 31,	OWDA Loans			Year Ending December 31,	OPWC Loans						
	Interest	Principal	Total		Interest	Principal	Total				
2025	29,115	129,066	158,181	2025	-	21,530	21,530				
2026	54,355	262,290	316,645	2026	-	43,060	43,060				
2027	49,070	261,864	310,934	2027	-	43,060	43,060				
2028	43,821	261,421	305,242	2028	-	43,060	43,060				
2029	38,542	259,325	297,867	2029	-	43,060	43,060				
2030-2034	110,685	1,289,081	1,399,766	2030-2034	-	165,298	165,298				
2035-2039	25,213	509,086	534,299	2035-2039	-	152,798	152,798				
2040	398	53,099	53,497	2040-2044	-	152,798	152,798				
Total	351,199	3,025,232	3,376,431	2045-2049	-	71,465	71,465				
USDA WWTP Revenue Bonds											
Year Ending December 31,	Interest			Year Ending December 31,	Rosenbauer Fire Truck Loan						
	Interest	Principal	Total		Interest	Principal	Total				
2025	128,970	89,100	218,070	2025	18,107	39,751	57,858				
2026	126,519	91,500	218,019	2026	16,815	41,043	57,858				
2027	124,003	94,000	218,003	2027	15,481	42,377	57,858				
2028	121,418	96,700	218,118	2028	14,104	43,754	57,858				
2029	118,759	99,200	217,959	2029	12,682	45,176	57,858				
2030-2034	551,312	538,900	1,090,212	2030-2034	40,406	248,882	289,288				
2035-2039	473,025	617,200	1,090,225	2035-2036	4,470	96,168	100,638				
2040-2044	383,369	706,800	1,090,169	Total	122,065	557,151	679,216				
2045-2049	280,684	809,600	1,090,284								
2050-2054	163,078	927,100	1,090,178	Server Loan							
2055-2057	34,394	619,700	654,094	Year Ending December 31,	Interest						
Total	2,505,531	4,689,800	7,195,331		Interest	Principal	Total				
USDA Loan Municipal Building Bonds											
Year Ending December 31,	Interest			Year Ending December 31,	Interest						
	Interest	Principal	Total		Interest	Principal	Total				
2025	170	5,966	6,136	2025	26,652	24,400	51,052				
Total	170	5,966	6,136	2026	25,920	25,100	51,020				
2027											
2027	25,167	25,800	50,967	2027	24,393	26,600	50,993				
2028	24,393	26,600	50,993	2028	23,595	27,500	51,095				
2029	23,595	27,500	51,095	2029	105,123	149,900	255,023				
2030-2034	105,123	149,900	255,023	2030-2034	81,237	173,900	255,137				
2035-2039	81,237	173,900	255,137	2035-2039	53,544	201,500	255,044				
2040-2044	53,544	201,500	255,044	2040-2044	21,441	233,700	255,141				
2045-2049	21,441	233,700	255,141	Total	387,072	888,400	1,275,472				

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

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, 2024, 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 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.

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

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 2016 BICs were redeemed in whole on February 15, 2021 with a draw on the Line of Credit which is evidenced by a subordinated note (the "2021 JV5 Note"). The 2021 JV5 Note has since been retired.

The Village's net investment to date in OMEGA JV5 was \$25,098 at December 31, 2023 (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.

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, 2021, \$943,870 on AMP's Line of Credit was allocable to the financing of costs related to the JV2 Project. The Village's net investment in OMEGA JV2 was (\$591) at December 31, 2023 (the most current information available). Complete financial statements for OMEGA JV2 may be obtained from AMP.

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

The thirty-six participating subdivisions and their respective ownership share at December 31, 2023 are:

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

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, 2024 for these enterprises are indicated below:

Calculation of JV5 Debt Coverage

	2024
Operating Income	\$ 341,264
JV5 Debt Service (included below as cash disbursements to AMP Ohio)	74,599
KWH Tax from General fund	-
Adjusted Operating Income Available for Debt Service	<u>415,863</u>
OMEGA JV5 Debt Services (paid to AMP Ohio)	74,599
Other Electric System Debt Service	-
Total Electric System Debt	<u>\$ 74,599</u>
Coverage (Covenants require 110% coverage of all debt)	557%

Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024

As of December 31, 2024:

	Fund 603 & 605 Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts			
Charges for Services	3,063,246	1,517,373	4,580,619
Other Operating Receipts	<u>13,626</u>	<u>3,058</u>	<u>16,684</u>
Total Operating Cash Receipts	<u>3,076,872</u>	<u>1,520,431</u>	<u>4,597,303</u>
Operating Cash Disbursements			
Personal Services	578,243	309,529	887,772
Contractual Services	<u>1,973,157</u>	<u>328,904</u>	<u>2,302,061</u>
Supplies and Materials	<u>170,375</u>	<u>184,880</u>	<u>355,255</u>
Other Operating Disbursements	<u>13,833</u>	<u>4,197</u>	<u>18,030</u>
Total Operating Cash Disbursements	<u>2,735,608</u>	<u>827,510</u>	<u>3,563,118</u>
Operating Receipts Over (Under) Operating Disbursements	341,264	692,921	1,034,185
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	1,479	13,966	15,445
Other Non-Operating Receipts	0	9,074	9,074
Other Non-Operating Disbursements	0	(3,598)	(3,598)
Capital Outlay	<u>(524,453)</u>	<u>(198,731)</u>	<u>(723,184)</u>
Principal Retirement	0	(340,773)	(340,773)
Interest and Other Fiscal Charges	<u>0</u>	<u>(193,372)</u>	<u>(193,372)</u>
Total Non-Operating Receipts (Disbursements)	<u>(522,974)</u>	<u>(713,434)</u>	<u>(1,236,408)</u>
Change in Net Position	(181,710)	(20,513)	(202,223)
Net Position - Cash Basis, January 1	<u>1,934,996</u>	<u>1,804,020</u>	<u>3,739,016</u>
Net Position - Cash Basis, December 31	<u>1,753,286</u>	<u>1,783,507</u>	<u>3,536,793</u>

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.

**Village of Arcanum
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$5,017, and interest credited to the Village has been \$22,460, resulting in a net credit balance at December 31, 2024 of \$90,996. During 2024, the Village made no payments to AMP toward its net impaired cost estimate.

Note 11 – 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	Special Revenue	Total
Nonspendable:			
Unclaimed Monies	\$9,025		9,025
Outstanding Encumbrances	12,358	11,432	23,790
<i>Total</i>	<u>\$21,383</u>	<u>\$11,432</u>	<u>\$32,815</u>

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

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 – Subsequent Event

The Village was approved for a loan with the Ohio Public Works Commission (OPWC) in the amount of \$420,000 for the East First and South East Streets reconstruction project. The first draw of this loan in the amount of \$76,992 was made March 12, 2025.



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

**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 of Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, 2024 and the related notes to the financial statements of the Village of Arcanum, Darke County, Ohio (the Village) and have issued our report thereon dated May 5, 2025, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a significant deficiency.

Village of Arcanum
Darke County
Independent Auditor's Report on Internal Control Over
Financial Report and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 5, 2025

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2024**

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

FINDING NUMBER 2024-001

Significant Deficiency – Bank Reconciliation

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records and verify the existence and valuation of assets, and periodically reconcile them to the accounting records. The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely bank reconciliation may allow for accounting errors and theft/fraud to occur without timely detection.

Accurate monthly bank to book reconciliations were not prepared for the payroll checking account throughout 2024. The bank balance in the account at December 31, 2024 was \$27,114 and the following issues were identified related to the payroll account reconciliation:

- The payroll account outstanding checks from the accounting system totaled \$28,026 at December 31, 2024, but the Village used an unsupported amount of \$25,957 on the bank reconciliation.
- The payroll account outstanding checks from the accounting system included items totaling \$1,508 that actually cleared the bank account prior to year-end and would not be outstanding checks.
- The payroll account outstanding checks from the accounting system included items totaling \$11,817 that did not clear the bank account in this amount on the January 2025 bank statement.

We also identified the following errors not related to the payroll account on the Village's bank reconciliation at December 31, 2024:

- The Village recorded a receipt in the amount of \$959 for 2024 and was carrying this as a reconciling item on the December 31, 2024 bank reconciliation; however, the check related to this receipt was not received and deposited into the bank until January 14, 2025.
- An unreconciled variance of \$186 was identified by the Village on the bank reconciliation at December 31, 2024.
- The Village carried a balance of \$50,712 for a certificate of deposit (CD) on its accounting system and the actual balance of the CD at December 31, 2024 was \$51,570, resulting in a difference of \$858.

These issues were caused the Village's lack of understanding related to the reconciliation process and potential reconciling items, specifically withholdings and remittances and how those items impact the payroll account, accounting system, and bank reconciliation.

Failure to accurately reconcile the payroll account monthly and reconcile all Village bank accounts to the accounting system increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly. Further, the lack of accurate monthly bank reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Village should prepare accurate monthly bank reconciliations for all bank accounts with no unreconciled variances. Any unreconciled amounts should be investigated, documented and corrected in a timely manner. If the Village intends to use the payroll bank account as a true payroll clearing account, it should be reconciled to \$0 each month.

FINDING NUMBER 2024-001
(Continued)

Officials' Response:

Payroll reconciliation – The December outstanding check report was not updated in the system correctly to only show what was outstanding. I also want to note that this report does not show the employer accruals for Medicare, FICA, OP&F and OPERS. This report only shows what was actually withheld from payroll. So the difference in what is withheld and what is paid is transferred in when processing the payroll each pay period. I will be contacting LGS asking for help.

Other – The (\$958.77) was the cobra benefit that was billed and paid in December through Anthem, but Navia (our Cobra benefit provider) did not reimburse us until January 2025. I did not have access to the CD through Greenville Federal and I was not receiving notifications of the interest being posted to it. That has been corrected and will be posting the earned interest as we receive it.

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2024

Finding Number	Finding Summary	Status	Additional Information
2023-001	Material Weakness – Financial Statement Errors. This finding described material financial statement errors that were identified and adjusted on the Village's December 31, 2023 financial statements.	Corrected	None

Fax:
937-692-5163

Web Site:
Villageofarcanum.com

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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 5/27/2025

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

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