



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF ARCANUM
DARKE COUNTY
DECEMBER 31, 2019

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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 by fund type, and related notes of the Village of Arcanum, Darke County, Ohio (the Village) as of and for the year ended December 31, 2019.

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.

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, 2019, 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 by fund type, and related notes of the Village of Arcanum, Darke County as of December 31, 2019, for the year then ended 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 12 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2020, 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

July 13, 2020

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Village of Arcanum, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$123,703	\$70,082		\$193,785
Municipal Income Tax	663,090			663,090
Intergovernmental	80,835	150,384	\$352,001	583,220
Special Assessments	3,700		438	4,138
Charges for Services	37,577	84,128		121,705
Fines, Licenses and Permits	18,010			18,010
Earnings on Investments	27,578	12,677	37	40,292
Miscellaneous	12,534	10,163		22,697
<i>Total Cash Receipts</i>	<u>967,027</u>	<u>327,434</u>	<u>352,476</u>	<u>1,646,937</u>
Cash Disbursements				
Current:				
Security of Persons and Property	301,465	104,151		405,616
Public Health Services	10,241			10,241
Leisure Time Activities	4,604	41,012		45,616
Community Environment	108,612			108,612
Transportation		95,389		95,389
General Government	214,391			214,391
Capital Outlay	224,905	35,994	1,462,743	1,723,642
Debt Service:				
Principal Retirement	19,698	34,871	20,333	74,902
Interest and Fiscal Charges	1,123	7,022		8,145
<i>Total Cash Disbursements</i>	<u>885,039</u>	<u>318,439</u>	<u>1,483,076</u>	<u>2,686,554</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>81,988</u>	<u>8,995</u>	<u>(1,130,600)</u>	<u>(1,039,617)</u>
Other Financing Receipts (Disbursements)				
USDA Loan Proceeds			879,690	879,690
OPWC Loan Proceeds			32,287	32,287
Sale of Capital Assets	1,000			1,000
Transfers In		31,000	882,009	913,009
Transfers Out	(933,009)			(933,009)
Advances In	8,000			8,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(924,009)</u>	<u>31,000</u>	<u>1,793,986</u>	<u>900,977</u>
<i>Net Change in Fund Cash Balances</i>	<u>(842,021)</u>	<u>39,995</u>	<u>663,386</u>	<u>(138,640)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,382,556</u>	<u>613,564</u>	<u>55,233</u>	<u>2,051,353</u>
Fund Cash Balances, December 31				
Nonspendable	1,381			1,381
Restricted		653,559	718,619	1,372,178
Assigned	12,816			12,816
Unassigned	526,338			526,338
<i>Fund Cash Balances, December 31</i>	<u>\$540,535</u>	<u>\$653,559</u>	<u>\$718,619</u>	<u>\$1,912,713</u>

See accompanying notes to the financial statements

Village of Arcanum, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$4,105,705
Special Assessments	311
Miscellaneous	36,959
	36,959
<i>Total Operating Cash Receipts</i>	<i>4,142,975</i>
Operating Cash Disbursements	
Personal Services	731,526
Travel Transportation	13,171
Contractual Services	2,392,439
Supplies and Materials	363,765
	363,765
<i>Total Operating Cash Disbursements</i>	<i>3,500,901</i>
<i>Operating Income</i>	<i>642,074</i>
Non-Operating Receipts (Disbursements)	
Other Non-Operating Receipts	4,896
Other Non-Operating Disbursements	(7,123)
Proceeds from USDA Loan	1,830,403
Capital Outlay	(2,987,067)
Principal Retirement	(842,144)
Interest and Other Fiscal Charges	(158,050)
	(158,050)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(2,159,085)</i>
<i>Income (Loss) before Capital Contributions, Transfers and Advances</i>	<i>(1,517,011)</i>
Capital Contributions - Grants	1,132,778
Transfers In	20,000
Advances Out	(8,000)
	(8,000)
<i>Total Capital Contributions, Transfers, and Advances</i>	<i>1,144,778</i>
<i>Net Change in Fund Cash Balances</i>	<i>(372,233)</i>
<i>Fund Cash Balances, January 1</i>	<i>4,590,543</i>
<i>Fund Cash Balances, December 31</i>	<i>\$4,218,310</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, 2019

NOTE 1. DESCRIPTION OF THE ENTITY

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

The Village participates in joint ventures. Note 11 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 (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary types which are organized on a fund type basis.

Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. A fund is defined as a fiscal and accounting entity with 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 license tax money for constructing, maintaining and repairing Village streets.

Fire Fund

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

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 debt proceeds.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The fund receives transfers and grant 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:

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.

Wastewater Treatment Plant Improvements Project Fund

This fund is used to account for all financial resources and expenses associated with the Village's new mechanical wastewater treatment plant. The fund receives grant and loan proceeds.

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.

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.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019 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.

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.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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.

NOTE 3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$851,181	\$976,027	\$124,846
Special Revenue	355,641	358,434	2,793
Capital Projects	1,560,389	2,146,462	586,073
Enterprise	8,139,850	7,131,052	(1,008,798)
Total	\$10,907,061	\$10,611,975	(\$295,086)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,713,845	\$1,830,864	(\$117,019)
Special Revenue	363,200	323,082	40,118
Capital Projects	1,597,324	1,630,219	(32,895)
Enterprise	8,918,051	7,521,679	1,396,372
Total	\$12,592,420	\$11,305,844	\$1,286,576

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 4. DEPOSITS AND INVESTMENTS

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

	2019
Demand deposits	\$3,607,982
Certificates of deposit	2,262,991
Cash on Hand	400
Total deposits	5,871,373
STAR Ohio	259,650
Total investments	259,650
Total deposits and investments	\$6,131,023

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.

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.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 6. DEBT

Debt activity during 2019 was as follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Governmental Funds				
Lease Purchase-Factory Building	\$ 21,323	\$ -	\$ 10,447	\$ 10,876
OPWC W. George Street CK38M	143,750	-	12,500	131,250
Police Cruiser	9,065	-	9,065	-
OPWC S. Main Street CT20Q	538,834	-	20,333	518,501
Fire Truck	201,901	-	22,371	179,530
OPWC North Street Construction CT55W	-	32,287	-	32,287
USDA Municipal Building Bond	-	879,690	-	879,690
Total Governmental Funds	914,873	911,977	74,716	1,752,134
Enterprise Funds				
OWDA Loan 3770	1,675,768	-	100,412	1,575,356
OWDA Loan 3771	724,267	-	33,821	690,446
OWDA Loan 4565	89,832	-	10,463	79,369
OWDA Loan 5007	1,918,864	-	78,370	1,840,494
OWDA Loan 8237	55,935	8,465	5,978	58,422
OPWC Phase II CK06F	75,000	-	15,000	60,000
OPWC NW Storm CK30C	3,750	-	2,500	1,250
OPWC Phase III CK02L	520,000	-	520,000	-
USDA Revenue Bonds - WWTP	3,358,404	1,817,896	75,600	5,100,700
Total Enterprise Funds	8,421,820	1,826,361	842,144	9,406,037
Total Debt	\$ 9,336,693	\$ 2,738,338	\$ 916,860	\$ 11,158,171

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 with the final payment March 4, 2020. The lease purchase agreement is being paid from the General Fund.

The Ohio Public Works Commission (OPWC) Loan No. CK38M relates to the West George Street project. The OPWC 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 paid from the Permissive Tax Fund.

The police cruiser loan was for the purpose of purchasing a new police cruiser. Greenville National Bank approved a four year loan bearing an interest rate of 2.75%. The loan was paid in full in 2019. This loan is being 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 paid 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 is being paid 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, 2019 and no amortization schedule has been set.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 6. DEBT (Continued)

The United State Department of Agriculture (USDA) Municipal Building Bond is related to a new Village administration/police building started in 2019. After contractor requests are approved by the USDA, loan proceeds are sent to the Village. As of December 31, 2019, \$879,690 of \$1 million in the loan proceeds have been sent to the Village for the project. The bond has an interest rate of 3% with an annual payment due each year beginning in 2020. The final payment on the bond is due in 2049. All bond proceeds have not been distributed at December 31, 2019; therefore, amortization has not been included below.

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 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. 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 has approved an interest free loan of \$50,000 to the Village for this project. The loan is being repaid in annual installments of \$2,500 over 20 years with final payment July 1, 2020. The loan is collateralized by water and sewer receipts and is being paid from the Sewer Fund.

The Ohio Public Works Commission (OPWC) Loan No. CK02L relates to the sanitary sewer phase III. The OPWC approved a \$500,000 grant with an interest free loan in the amount of \$800,000 for this project. The loan was paid in full during 2019 from the sewer fund with loan proceeds remaining from the USDA-funded Wastewater Treatment Plant project.

The United State Department of Agriculture (USDA) Revenue Bonds relates to the Wastewater Treatment Plant project. The Waste Water Treatment Plan project started in August 2017. After contractor requests are approved by the USDA, loan proceeds are sent to the Village. The Village then pays the contractor. The project was completed during 2019. The total bond amount was \$5,250,000 with an interest rate of 2.75% to be annually through 2057. The bond is being paid from the Wastewater Treatment Plant Debt Fund.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 6. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

Year Ending December 31,	Enterprise Funds			Year Ending December 31,	Governmental Funds		
	OWDA Loans				OPWC Loans		
	Principal	Interest	Total		Principal	Interest	Total
2020	233,778	86,741	320,519	2020	32,833	-	32,833
2021	238,643	81,876	320,519	2021	32,833	-	32,833
2022	243,643	76,875	320,518	2022	32,833	-	32,833
2023	248,785	71,733	320,518	2023	32,833	-	32,833
2024	254,073	66,446	320,519	2024	32,833	-	32,833
2025-2029	1,305,761	248,500	1,554,261	2025-2029	164,165	-	164,165
2030-2034	1,206,501	102,378	1,308,879	2030-2034	107,916	-	107,916
2035-2039	512,903	21,395	534,298	2035-2039	101,667	-	101,665
				2040-2044	101,667	-	101,665
				2045	10,171	-	10,171
Total	\$4,244,087	\$755,944	\$5,000,031	Total	\$649,751	\$-	\$649,751

Year Ending December 31,	OPWC Loans		
	Principal	Interest	Total
2020	16,250	-	16,250
2021	15,000	-	15,000
2022	15,000	-	15,000
2023	15,000	-	15,000
Total	\$61,250	\$-	\$61,250

Year Ending December 31,	Lease Purchase - Factory Building		
	Principal	Interest	Total
2020	10,876	445	11,321
Total	10,876	445	11,321

Year Ending December 31,	USDA Revenue Bonds		
	Principal	Interest	Total
2020	77,800	140,269	218,069
2021	80,000	138,130	218,130
2022	82,100	135,930	218,030
2023	84,300	133,672	217,972
2024	86,700	131,354	218,054
2025-2029	470,500	619,668	1,090,168
2030-2034	538,900	551,312	1,090,212
2035-2039	617,200	473,025	1,090,225
2040-2044	706,800	383,369	1,090,169
2045-2049	809,600	280,684	1,090,284
2050-2054	927,100	163,078	1,090,178
2055-2057	619,700	34,394	654,094
Total	\$5,100,700	\$3,184,885	\$8,285,585

Year Ending December 31,	Governmental Funds		
	Fire Truck Loan		
	Principal	Interest	Total
2020	23,096	6,230	29,326
2021	23,912	5,414	29,326
2022	24,740	4,586	29,326
2023	25,596	3,730	29,326
2024	26,474	2,852	29,326
2025-2026	55,712	2,909	58,621
Total	\$179,530	\$25,721	\$205,251

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019.

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, 2019.

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, 2019.

NOTE 8. 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

NOTE 9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 10. CONTINGENT LIABILITIES

Litigation

The Village is currently party to legal proceedings. Although management cannot presently determine the outcome of the proceedings, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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 11. 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, 2019, 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.

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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. 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, 2019

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participant's entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2019, the outstanding debt was \$0. The Village's net investment in OMEGA JV2 was \$960 at December 31, 2019. 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 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	<u>0.00%</u>	<u>4</u>
	<u>95.2%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

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

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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, 2019 for these enterprises are indicated below:

Calculation of JV5 Debt Coverage	
	2019
Operating Income	\$ 31,061
JV5 Debt Service (Included below as cash disbursements to Amp Ohio)	82,048
KWH Tax from General Fund	-
Adjusted Operating Income Available for Debt Service	113,109
OMEGA JV5 Debt Service (paid by Amp Ohio)	82,048
Other Electric System Debt Service	-
Total Electric System Debt	\$ 82,048
Coverage (Covenants require 110% coverage of all debt)	138%

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

As of December 31, 2019:	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Cash Receipts:			
Charges for Services	\$ 2,691,903	\$ 1,413,802	\$ 4,105,705
Other Operating Receipts	15,992	21,278	37,270
Total Operating Cash Receipts	<u>2,707,895</u>	<u>1,435,080</u>	<u>4,142,975</u>
Operating Cash Disbursements:			
Personal Services	373,478	358,048	731,526
Contractual Services	2,103,628	288,811	2,392,439
Supplies and Materials	192,678	171,087	363,765
Other Operating Disbursements	7,050	6,121	13,171
Total Operating Cash Disbursements	<u>2,676,834</u>	<u>824,067</u>	<u>3,500,901</u>
Operating Receipts Over (Under) Operating Disbursements	31,061	611,013	642,074
Non-Operating Cash Receipts (Cash Disbursements):			
Other Nonoperating Receipts	-	4,896	4,896
Other Nonoperating Disbursements	-	(7,123)	(7,123)
Capital Outlay	(163,855)	(2,823,212)	(2,987,067)
Proceeds from Loans	-	1,830,403	1,830,403
Principal Retirement	-	(842,144)	(842,144)
Interest and Fiscal Charges	-	(158,050)	(158,050)
Total Non-Operating Receipts/(Disbursements)	<u>(163,855)</u>	<u>(1,995,230)</u>	<u>(2,159,085)</u>
Net Receipts Before Capital Contributions, Interfund Advances and Transfers	(132,794)	(1,384,217)	(1,517,011)
Capital Contributions - Grants	-	1,132,778	1,132,778
Transfers - In	-	20,000	20,000
Advances - Out	-	(8,000)	(8,000)
Total Capital Contributions, Advances and Transfers	<u>-</u>	<u>1,144,778</u>	<u>1,144,778</u>
Change in Net Position	(132,794)	(239,439)	(372,233)
Net Position - Cash Basis, January 1	<u>2,507,232</u>	<u>2,083,311</u>	<u>4,590,543</u>
Net Position - Cash Basis, December 31	<u>\$ 2,374,438</u>	<u>\$ 1,843,872</u>	<u>\$ 4,218,310</u>

Village of Arcanum
Darke County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 11. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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 \$2,973, and interest credited to the Village has been \$1,054, resulting in a net credit balance at December 31, 2019 of \$71,634. During 2019, the Village made no payments to AMP toward its net impaired cost estimate.

NOTE 12. SUBSEQUENT EVENT

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

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**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct</i>			
Water and Waste Disposal Systems for Rural Communities	10.760		\$2,696,427
Community Facilities Loans and Grants Cluster			
Community Facilities Loans and Grants	10.766		<u>879,690</u>
Total U.S. Department of Agriculture			<u>3,576,117</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Ohio Development Services Agency</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	C-W-16-2NZ-1	<u>200,000</u>
Total U.S. Department of Housing and Urban Development			<u>200,000</u>
Total Expenditures of Federal Awards			<u>\$3,776,117</u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF ARCANUM
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of Arcanum (the Village) under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan programs listed below are administered directly by the Village, and balances and transactions relating to these programs are included in the Village's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loan outstanding at December 31, 2019 consists of:

CFDA Number	Program/Cluster Name	Outstanding Balance at December 31, 2019
10.760	Water and Waste Disposal Systems for Rural Communities	\$5,100,700
10.766	Community Facilities Loans and Grants	\$879,690

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

Village of Arcanum
Darke County
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 by fund type of the Village of Arcanum, Darke County, (the Village) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 13, 2020 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 ensuing emergency measures impact on 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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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. We consider finding 2019-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-001 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

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

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

July 13, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Village Council:

Report on Compliance for Each Major Federal Program

We have audited the Village of Arcanum's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Village of Arcanum's major federal programs for the year ended December 31, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies each of the Village's major federal programs.

Management's Responsibility

The Village's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for each of the Village's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the Village's major programs. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on each Major Federal Program

In our opinion, the Village of Arcanum complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 13, 2020

**VILLAGE OF ARCANUM
DARKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #10.760 – Water and Waste Disposal Systems for Rural Communities Community Facilities Loans and Grants Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2019-001

Significant Deficiency – Bank Reconciliations

Monthly reconciliations between bank/investment accounts and the accounting system provide reasonable assurance that all receipts and disbursements have been recorded in the accounting system and have been posted by the Village's bank. The Village completed a bank to book reconciliation of its checking account for each month during 2019. The Village's monthly bank reconciliations from the period of January through December contained errors that caused the Village's reconciled book balance to exceed the bank balance by \$5,870 at December 31, 2019. In addition, there was no acknowledgement that the bank reconciliations were being submitted to Council for their review and approval.

**FINDING NUMBER 2019-001
(Continued)**

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on reconciliations to make sound financial decisions. Failure to properly reconcile the bank/investment account balances to the book balances on a monthly basis increases the risk of fraud, theft, error or omissions going unidentified. Failure to present monthly bank reconciliations to Council for review and approval may also lead to unidentified fraud, theft, or errors and could inhibit Council's ability to manage the Village's operations and identify any negative financial performance indicators.

The Village should implement procedures to verify that bank reconciliations are prepared accurately with no unreconciled items. The reconciliation should balance all bank and investment accounts with total fund balances on the Village's accounting system. Additionally, the monthly bank reconciliations should be provided to Council for review and approval. Council review and approval of the reconciliations should be documented in the minutes. Adjustments to bank reconciliations should be documented and any unexplained differences, including the variance noted above, should be investigated and resolved immediately.

Officials' Response: The Village of Arcanum is working toward consistent reconciliations. The Fiscal Officer has completed a line-by-line transaction-level review and has reconciled with the same amount for two consecutive months. After three consecutive months with the same amount, the Village of Arcanum Council will determine next steps to move toward making the necessary corrections. The Village of Arcanum Council has received monthly bank reconciliations and acknowledged each with their signature for the current year.

FINDING NUMBER 2019-002

Material Weakness – Financial Statement Errors

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs A14 and A16.

The Village's financial statements contained the following errors, which were adjusted on the financial statements:

- The Ohio Public Works Commission (OPWC) made payments of grant and loan proceeds to contractors on-behalf of the Village related to the North Street Reconstruction project. The receipts and related disbursements for these payments were not recorded in the Village's accounting system, resulting in understatements related to capital outlay disbursements in the amount of \$219,683, intergovernmental revenue in the amount of \$187,396, and debt proceeds in the amount of \$32,287 in the capital projects fund.
- The Village's opening fund balance at January 1 for the general fund did not agree to the prior year ending fund balance due to excluding the unclaimed monies fund balance from the financial statements. This resulted in opening fund balance and ending fund balance (unassigned) at year-end to be understated in the amount of \$1,381.
- GASB Statement 54, paragraph 8 (GASB Codification 1800.168) states, in part, that fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. During the audit period, the Village's primary revenue sources in the capital projects funds were intergovernmental revenue, debt proceeds, and transfers in to pay the Village share of capital projects. Restrictions are externally imposed. Therefore, the fund balance of these funds should be classified as restricted. The capital projects fund balance was incorrectly classified as unassigned fund balance in the amount of \$718,618 rather than restricted.
- The Village received loan proceeds from the United States Department of Agriculture (USDA) related to the Waste Water Treatment Plant project that were incorrectly recorded, resulting in an understatement of proceeds of USDA loan and an overstatement of charges for services in the amount of \$473,356 in the enterprise fund.

**FINDING NUMBER 2019-002
(Continued)**

- The Village incorrectly reported transfers out of the general fund resulting in an understatement of transfers out and an overstatement of security of persons and property disbursements in the amount of \$16,000.
- The Village reported only one side (transfer out) of an intrafund transfer involving an enterprise fund on the financial statements. This resulted in an overstatement of transfers out and an understatement of ending fund balance in the amount of \$196,720.
- The Village incorrectly reported capital grants and contributions in the amount of \$1,132,778 as operating receipts rather than non-operating receipts in the enterprise fund.
- The Village incorrectly reported capital outlay in the amount of \$2,987,067 as operating disbursements rather than non-operating disbursements in the enterprise fund.

There were other additional unadjusted financial statement errors in the enterprise funds ranging in amount from \$400 to \$29,065. The line items impacted were capital outlay disbursements, interest and fiscal charges, debt proceeds, capital grants and contributions, and other receipts. There was also an unadjusted error in the amount of \$5,298 impacting general fund cash balance and income tax receipts.

The above errors occurred when posting transactions to the accounting system and in creating the annual financial statements.

Failure to properly record and report financial activity could lead to material financial statement errors and misleading financial statement information.

The Village should establish and implement policies and procedures to verify that all financial activity is properly recorded in the accounting system and reported on the annual financial statements. The Village should also perform a review of all Village funds and determine proper reporting of fund balances in accordance with Governmental Accounting Standards Board Statement 54 requirements and also review Auditor of State Bulletin 2011-004 for additional guidance related to fund balance reporting.

Officials' Response: The corrections to the financial statements have been reviewed by the Fiscal Officer. The Fiscal Officer will review Governmental Accounting Standards Board Statement 54 and Auditor of State Bulletin 2011-004 for guidance related to fund balance reporting. In addition, the Fiscal Officer will allow for a thorough review of the statements prior to submission.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2019

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

Finding Number	Finding Summary	Status	Additional Information
2018-001	Significant Deficiency – Failure to complete proper bank reconciliations	Not Corrected	Reissued as Finding 2019-001.

Fax:
937-692-5163

Web Site:
Villageofarc anum.com

VILLAGE OF
ARCANUM

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

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2019

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

Finding Number: 2019-001

Planned Corrective Action: The Village of Arcanum is working toward consistent reconciliations. The Fiscal Officer has completed a line-by-line transaction-level review and has reconciled with the same amount for two consecutive months. After three consecutive months with the same amount, the Village of Arcanum Council will determine next steps to move toward making the necessary corrections. The Village of Arcanum Council has received monthly bank reconciliations and acknowledged each with their signature for the current year.

Anticipated Completion Date: 08/30/2020

Responsible Contact Person: Toni M. Stanley, Fiscal Officer

Finding Number: 2019-002

Planned Corrective Action: The corrections to the financial statements have been reviewed by the Fiscal Officer. The Fiscal Officer will review Governmental Accounting Standards Board Statement 54 and Auditor of State Bulletin 2011-004 for guidance related to fund balance reporting. In addition, the Fiscal Officer will allow for a thorough review of the statements prior to submission.

Anticipated Completion Date: 08/30/2020

Responsible Contact Person: Toni M. Stanley, Fiscal Officer

Fax:
937-692-5163

Web Site:
Villageofarcanum.com

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 8/11/2020

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