

VILLAGE OF ARCANUM

DAYTON REGION, DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



**Auditor of State
Betty Montgomery**

Village Council
Village of Arcanum
104 West South Street
Arcanum, Ohio 45304

We have reviewed the *Report of Independent Accountants* of the Village of Arcanum, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Arcanum is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 5, 2006

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**VILLAGE OF ARCANUM
DARKE COUNTY**

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**MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

REPORT OF INDEPENDENT ACCOUNTANTS

Mayor and Members of Council
Village of Arcanum
104 West South Street
Arcanum, Ohio 45304

We have audited the accompanying financial statements of the Village of Arcanum, Darke County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its large (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004 or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Arcanum, Darke County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2006, on our consideration of the Village's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 23, 2006

**VILLAGE OF ARCANUM
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>				<u>Fiduciary Funds</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Local Taxes	\$ 281,474	\$ 9,268	\$ 30,899	\$ 0	\$ 8,626	\$ 330,267
Intergovernmental Revenues	172,965	110,183	3,787	109,776	1,099	397,810
Charges for Services	1,425	78,144	0	0	0	79,569
Fines, Licenses and Permits	585	0	0	0	0	585
Interest	27,048	12,971	0	0	0	40,019
Miscellaneous	92,793	14,766	0	50,000	0	157,559
Total Cash Receipts	<u>576,290</u>	<u>225,332</u>	<u>34,686</u>	<u>159,776</u>	<u>9,725</u>	<u>1,005,809</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	\$ 329,171	\$ 57,647	\$ 680	\$ 0	\$ 0	\$ 387,498
Public Health Services	19,173	0	0	0	8,800	27,973
Leisure Time Activities	9,970	48,312	0	0	0	58,282
Community Environment	85,814	4,297	0	0	0	90,111
Transportation	0	90,791	0	0	0	90,791
General Government	121,750	204	0	0	184	122,138
Capital Outlay	54,676	26,868	0	257,717	0	339,261
Debt Service: Principal	0	0	28,062	0	0	28,062
Interest	0	0	4,523	0	0	4,523
Total Cash Disbursements	<u>620,554</u>	<u>228,119</u>	<u>33,265</u>	<u>257,717</u>	<u>8,984</u>	<u>1,148,639</u>
Total Receipts Over/(Under) Disbursements	<u>(44,264)</u>	<u>(2,787)</u>	<u>1,421</u>	<u>(97,941)</u>	<u>741</u>	<u>(142,830)</u>
Other Financing Receipts/(Disbursements):						
Transfers-In	75,763	39,750	0	0	0	115,513
Sale of Notes	0	0	0	73,220	0	73,220
Transfers-Out	(39,750)	0	0	0	0	(39,750)
Total Other Financing Receipts (Disbursements)	<u>36,013</u>	<u>39,750</u>	<u>0</u>	<u>73,220</u>	<u>0</u>	<u>148,983</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,251)	36,963	1,421	(24,721)	741	6,153
Fund Cash Balances, January 1, 2005	<u>917,682</u>	<u>537,171</u>	<u>35,241</u>	<u>187,712</u>	<u>19,372</u>	<u>1,697,178</u>
Fund Cash Balances, December 31, 2005	<u>\$ 909,431</u>	<u>\$ 574,134</u>	<u>\$ 36,662</u>	<u>\$ 162,991</u>	<u>\$ 20,113</u>	<u>\$ 1,703,331</u>
Reserve for Encumbrances, December 31, 2005	<u>\$ 24,522</u>	<u>\$ 6,941</u>	<u>\$ 0</u>	<u>\$ 8,203</u>	<u>\$ 0</u>	<u>\$ 39,666</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ARCANUM
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Funds
	Enterprise
Operating Revenues:	
Charges for Services	\$ 2,892,232
Miscellaneous	61,205
	<u>2,953,437</u>
Operating Expenses:	
Current:	
Personal Service	\$ 640,071
Travel Transportation	29,867
Contractual Services	1,439,210
Supplies and Materials	153,718
Capital Outlay	12,831
	<u>2,275,697</u>
Total Cash Disbursements	<u>2,275,697</u>
Operating Income/ (Loss)	<u>677,740</u>
Non-Operating Revenues/(Disbursements):	
Other Non-Operating Expenses	(54,830)
Debt Service: Principal	(152,628)
Interest	(138,666)
	<u>(346,124)</u>
Total Non-Operating Revenues Disbursements	<u>(346,124)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	331,616
Transfers Out	<u>(75,763)</u>
Net Revenues Over/(Under) Disbursements	255,853
Fund Cash Balances, January 1, 2005	<u>952,209</u>
Fund Cash Balances, December 31, 2005	<u>\$ 1,208,062</u>
Reserve for Encumbrances, December 31, 2005	<u>\$ 154,845</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ARCANUM
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>				<u>Fiduciary Funds</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Local Taxes	\$ 296,689	\$ 9,474	\$ 31,583	\$ 0	\$ 8,704	\$ 346,450
Intergovernmental Revenues	166,111	109,082	3,745	210,000	1,083	490,021
Charges for Services	1,675	74,038	0	0	0	75,713
Fines, Licenses and Permits	735	0	0	0	0	735
Interest	17,677	6,129	0	0	0	23,806
Miscellaneous	16,187	2,021	0	0	0	18,208
Total Cash Receipts	<u>499,074</u>	<u>200,744</u>	<u>35,328</u>	<u>210,000</u>	<u>9,787</u>	<u>954,933</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	\$ 272,122	\$ 60,967	\$ 715	\$ 0	\$ 0	\$ 333,804
Public Health Services	10,316	0	0	0	8,000	18,316
Leisure Time Activities	11,369	53,851	0	0	0	65,220
Community Environment	84,912	0	0	0	0	84,912
Transportation	0	84,653	0	0	0	84,653
General Government	127,670	214	0	0	189	128,073
Capital Outlay	3,785	18,527	0	1,838,099	0	1,860,411
Debt Service: Principal	0	1,563	41,020	0	0	42,583
Interest	0	0	5,574	0	0	5,574
Total Cash Disbursements	<u>510,174</u>	<u>219,775</u>	<u>47,309</u>	<u>1,838,099</u>	<u>8,189</u>	<u>2,623,546</u>
Total Receipts Over/(Under) Disbursements	<u>(11,100)</u>	<u>(19,031)</u>	<u>(11,981)</u>	<u>(1,628,099)</u>	<u>1,598</u>	<u>(1,668,613)</u>
Other Financing Receipts/(Disbursements):						
Sale of Note Proceeds	0	0	0	1,669,109	0	1,669,109
Transfers-In	65,841	92,000	0	0	0	157,841
Transfers-Out	(92,000)	0	0	0	0	(92,000)
Total Other Financing Receipts (Disbursements)	<u>(26,159)</u>	<u>92,000</u>	<u>0</u>	<u>1,669,109</u>	<u>0</u>	<u>1,734,950</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,259)	72,969	(11,981)	41,010	1,598	66,337
Fund Cash Balances, January 1, 2004	<u>954,941</u>	<u>464,202</u>	<u>47,222</u>	<u>146,702</u>	<u>17,774</u>	<u>1,630,841</u>
Fund Cash Balances, December 31, 2004	<u>\$ 917,682</u>	<u>\$ 537,171</u>	<u>\$ 35,241</u>	<u>\$ 187,712</u>	<u>\$ 19,372</u>	<u>\$ 1,697,178</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 31,489</u>	<u>\$ 13,672</u>	<u>\$ 0</u>	<u>\$ 20,401</u>	<u>\$ 0</u>	<u>\$ 65,562</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ARCANUM
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Funds
	Enterprise
Operating Revenues:	
Charges for Services	\$ 2,574,151
Miscellaneous	68,797
	2,642,948
Total Cash Receipts	2,642,948
Operating Expenses:	
Current:	
Personal Service	\$ 582,126
Travel Transportation	9,443
Contractual Services	1,285,284
Supplies and Materials	214,489
Capital Outlay	312,661
	2,404,003
Total Cash Disbursements	2,404,003
Operating Income/ (Loss)	238,945
Non-Operating Revenues/(Expenses):	
Other Non-Operating Cash Disbursements	(14,637)
Debt Service: Principal	(135,910)
Interest	(141,375)
	(291,922)
Total Non-Operating Revenues (Expenses)	(291,922)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(52,977)
Transfers Out	(65,841)
	(118,818)
Net Revenues Over/(Under) Disbursements	(118,818)
Fund Cash Balances, January 1, 2004	1,071,027
Fund Cash Balances, December 31, 2004	\$ 952,209
Reserve for encumbrances, December 31, 2004	\$ 171,128

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

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

D. Fund Accounting

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

The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

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

3. Debt Service Funds

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

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

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

4. Capital Project Funds

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

Separation Phase II – This fund is used to record the receipts and expenditures of funds used for the sanitary sewer system of the Village.

5. Enterprise Funds

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

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

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

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

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

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

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

Unclaimed Funds – This expendable trust fund receives amounts from stale outstanding checks.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$1,094,276	\$ 899,387
Certificates of Deposit	<u>1,250,000</u>	<u>1,200,000</u>
Total Deposits	<u>2,344,276</u>	<u>2,099,387</u>
STAR Ohio	<u>567,117</u>	<u>550,000</u>
Total Deposits and Investments	<u>\$2,911,393</u>	<u>\$2,649,387</u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 530,900	\$ 652,053	\$ 121,153
Special Revenue	299,000	265,082	(33,918)
Debt Service	33,500	34,686	1,186
Capital Projects	148,786	232,996	84,210
Enterprise	2,603,000	2,953,437	350,437
Fiduciary	<u>9,200</u>	<u>9,725</u>	<u>525</u>
Total	<u>\$3,624,386</u>	<u>\$4,147,979</u>	<u>\$ 523,593</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 855,886	\$ 684,826	\$ 171,060
Special Revenue	299,969	235,060	64,909
Debt Service	33,700	33,265	435
Capital Projects	249,969	265,920	(15,951)
Enterprise	3,094,163	2,852,429	241,734
Fiduciary	<u>9,000</u>	<u>8,984</u>	<u>16</u>
Total	<u>\$4,542,687</u>	<u>\$4,080,484</u>	<u>\$ 462,203</u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

2. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 546,900	\$ 564,915	\$ 18,015
Special Revenue	266,200	292,744	26,544
Debt Service	33,000	35,328	2,328
Capital Projects	1,850,000	1,879,109	29,109
Enterprise	2,582,500	2,642,948	(60,448)
Fiduciary	<u>8,800</u>	<u>9,787</u>	<u>987</u>
Total	<u>\$5,287,400</u>	<u>\$5,424,831</u>	<u>\$ 137,431</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 767,365	\$ 633,663	\$ 133,702
Special Revenue	288,640	233,447	55,193
Debt Service	47,709	47,309	400
Capital Projects	1,949,126	1,858,500	90,626
Enterprise	3,215,398	2,932,894	282,504
Fiduciary	<u>8,200</u>	<u>8,189</u>	<u>11</u>
Total	<u>\$6,276,438</u>	<u>\$5,714,002</u>	<u>\$ 562,436</u>

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$ 183,044	0%
Ohio Public Works Commission – Phase II	270,000	0%
Ohio Water Development Authority	2,853,317	1.5%
Fire Equipment Acquisition	90,742	3.76%
Ohio Public Works Commission	36,250	0%
Ohio Water Development Authority – Phase II	<u>1,014,968</u>	4.84%
Total	<u>\$4,448,321</u>	

The Ohio Public Works Commission (OPWC) loan relates to water tower construction. The OPWC has approved an interest free loan of \$489,000 to the Village for this project. The loan will be repaid in annual installments of \$21,535 over 20 years, with final payment July 1, 2014. The loan is collateralized by water and sewer receipts. Balance at December 31, 2005 was \$183,044.

The Ohio Public Works Commission (OPWC) loan 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 will be 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. Balance at December 31, 2005 was \$36,250.

The Ohio Public Works Commission (OPWC) loan 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 will be 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. Balance at December 31, 2005 was \$270,000.

The Ohio Water Development Authority (OWDA) loan relates to the sanitary sewer, phase II. The Village was approved for a loan in the amount of \$3,000,000. The loan is to be repaid in annual installments of \$124,550, including principal and interest at 1.5%, over 30 years with final payment July 01, 2033. The loan is collateralized by water and sewer receipts. Balance at December 31, 2005 was \$2,853,317.

The Ohio Water Development Authority (OWDA) loan relates to the sanitary sewer, phase II. The Village was approved for a loan in the amount of \$2,000,000. As of December 31, 2005 \$ 1,077,740 was drawn on the loan and \$62,773 was repaid as principal. The remainder of the balance is to be drawn in 2006. The loan is to be repaid in annual installments of \$127,065, including principal and interest at 4.84%, over 30 years. The loan is collateralized by water and sewer receipts. Balance at December 31, 2005 was \$1,014,968. Amortization schedule based on \$2,000,000 total drawn.

The Fire Equipment Acquisition Note relates to the purchase of a fire pumper truck. The loan is to be repaid in annual installments of \$32,585, including principal and interest at 3.76%, over 5 years with final payment on December 9, 2008. The Balance at December 31, 2005 was \$90,742.

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

Year ending December 31:	OPWC Loans	OWDA Bonds	Fire Equipment Note
2006	\$ 39,035	\$ 126,130	\$ 32,585
2007	39,035	252,259	32,585
2008	39,035	252,259	32,585
2009	39,035	252,259	0
2010	39,035	252,259	0
2011-2013	162,869	1,261,295	0
Thereafter	<u>131,250</u>	<u>4,582,900</u>	<u>0</u>
Total	<u>\$489,294</u>	<u>\$ 6,979,361</u>	<u>\$ 97,755</u>

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

5. DEBT (continued)

Omega JV 5 – AMP-Ohio

The Village entered into a loan agreement with Ohio Municipal Power- Ohio, Inc. (AMP-Ohio) for the purpose of providing financing for the acquisition and installation of electric system improvements.

The Electric Operating Fund is to pay the loan made by AMP-Ohio together with interest thereon equal to the rates of interest on the electric system improvement bond anticipation notes to be issued by Amp-Ohio in one or more series, or on notes issued to refund the Notes or on the Electric System Improvement Bonds to be issued by Amp-Ohio in anticipation of which Bonds the Notes are issued.

On the maturity date of each series of the Notes the Village will pay to AMP-Ohio all interest due on the Notes plus any amount of principal up to the original principal amount of such series, and on the maturity date of such series of the Notes plus an amount of principal equal to the amount of principal amount which would be due in the corresponding year on a loan the original amount of such series, for a term of 20 years, at the interest rate borne by such series of the Notes.

AMP-Ohio will use its best efforts to refinance any remaining principal of any series of the Notes; provided, however, that if AMP-Ohio is unable to refinance any series of the Notes, it shall give the Village and the original purchaser of the Notes 60 days notice of such inability, and the Village shall pay AMP-Ohio all amounts necessary to retire such series of the Notes at maturity. Also see Note 10, for more information relating to AMP-Ohio, Omega JV-5 project and related amortization schedules based upon percentage of ownership.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and the fire chief belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2005. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General Liability
- Public Officials Liability
- Vehicle
- Law Enforcement
- Property

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

8. JOINT VENTURES WITH EQUITY INTEREST

OMEGA JV5

The Village of Arcanum 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 & 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 assets 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, 2005 Minster has met their 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 rate 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 25 percent of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2005 the 1993 Certificates were refunded by issuing 2005 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.

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

9. JOINT VENTURES WITH EQUITY INTEREST (continued)

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2005 the 1993 Certificates were refunded by issuing 2005 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.

The Village's net investments to date in OMEGA JV5 was \$70,543 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or the State Auditors website at www.auditor.state.oh.us.

Amortization of the participant's percentage share of debt as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Refunding</u>	<u>Total</u>
2006	\$34,650	\$42,375	\$11,554	\$88,579
2007	35,994	40,989	11,547	88,531
2008	36,750	40,269	11,553	88,572
2009	37,590	39,443	11,555	88,587
2010	38,388	38,255	11,551	88,194
2011-2030	1,235,976	313,466	161,644	1,711,086
Total	<u>\$1,419,348</u>	<u>\$514,797</u>	<u>\$219,404</u>	<u>\$2,153,549</u>

OMEGA JV2

The Village of Arcanum 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 participants 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-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio 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. The Village's net investment in OMEGA JV2 was \$13,312 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

8. JOINT VENTURES WITH EQUITY INTEREST (continued)

OMEGA JV2 (continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2005 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	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

9. 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 Ventures 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, 2005 and 2004 for these enterprise activities are indicated below:

Calculation of JV5 Debt Coverage	2005	2004
Operating Income	\$165,018	\$62,017
JV5 Debt Service (included above as operating expenses to Amp Ohio)	88,462	88,212
KWH Tax from General Fund	0	0
Adjusted Operating Income Available for Debt Service	<u>\$253,480</u>	<u>\$150,229</u>
OMEGA JV5 Debt Service (paid by Amp Ohio)	\$88,462	\$88,212
Other Electric System Debt Service	0	0
Total Electric System Debt	<u>\$88,462</u>	<u>\$88,212</u>
Coverage (Covenants require 110% coverage of all debt)	287%	170%

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2005 AND 2004

9. SEGMENT INFORMATION FOR THE ELECTRIC FUND (continued)

As of December 31, 2005:

	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:			
Charges for Services	1,998,945	893,287	2,892,232
Miscellaneous	47,294	13,911	61,205
Total Cash Receipts	2,046,239	907,198	2,953,437
Operating Expenses:			
Current:			
Personal Service	502,988	137,083	640,071
Other Operating Expenses	0	29,867	29,867
Contractual Services	1,278,951	160,259	1,439,210
Supplies and Materials	95,491	58,227	153,718
Capital Outlay	3,790	9,041	12,831
Total Cash Disbursements	1,881,220	394,477	2,275,697
Operating Income/ (Loss)	165,019	512,721	677,740
Non-Operating Revenues/(Expenses):			
Other Non-Operating Cash Disbursements	(36,463)	(18,367)	(54,830)
Debt Service: Principal	0	(152,628)	(152,628)
Interest	0	(138,666)	(138,666)
Total Non-Operating Revenues (Expenses)	0	(309,661)	(346,124)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	165,019	203,060	331,616
Transfers Out	(75,763)	0	(75,763)
Net Revenues Over/(Under) Disbursements	89,256	203,060	255,853
Fund Cash Balances, January 1, 2005	602,803	349,406	952,209
Fund Cash Balances, December 31, 2005	692,059	552,466	1,208,062

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2005 AND 2004

9. SEGMENT INFORMATION FOR THE ELECTRIC FUND (continued)

As of December 31, 2004:

	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:			
Charges for Services	1,741,908	832,243	2,574,151
Miscellaneous	18,019	50,778	68,797
Total Cash Receipts	1,759,927	883,021	2,642,948
Operating Expenses:			
Current:			
Personal Service	444,774	137,352	582,126
Other Operating Expenses	7,786	1,657	9,443
Contractual Services	1,090,330	194,954	1,285,284
Supplies and Materials	93,526	120,963	214,489
Capital Outlay	61,494	251,167	312,661
Total Cash Disbursements	1,697,910	706,093	2,404,003
Operating Income/ (Loss)	62,017	176,928	238,945
Non-Operating Revenues/(Expenses):			
Other Non-Operating Cash Disbursements	(32,539)	17,902	(14,637)
Debt Service: Principal	0	(135,910)	(135,910)
Interest	0	(141,375)	(141,375)
Total Non-Operating Revenues (Expenses)	(32,539)	(259,383)	(291,922)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	29,478	(82,455)	(52,977)
Transfers Out	(65,841)	0	(65,841)
Net Revenues Over/(Under) Disbursements	(36,363)	(82,455)	(118,818)
Fund Cash Balances, January 1, 2004	639,166	431,861	1,071,027
Fund Cash Balances, December 31, 2004	602,803	349,406	952,209

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**Manning & Associates CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414**

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

Members of Council
Village of Arcanum
202 North Main Street
Arcanum, Ohio 45303

We have audited the financial statements of the Village of Arcanum, Darke County (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 23, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. In a separate letter to the Village's management dated June 23, 2006, we reported other matters involving the internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated June 23, 2006, we reported other matters related to noncompliance we deemed immaterial.

Village Council
Village of Arcanum
Report of Independent Accountants' on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

Manning & Associates CPAs, LLC
Dayton, Ohio

June 23, 2006

**VILLAGE OF ARCANUM
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

SCHEDULE OF FINDINGS

**1. FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number - 2005-001

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

	Excess	
	2005	2004
Special Revenue:		
Arcanum Community Park	\$ 0	\$ 12,698
Capital Projects:		
Asst. Firefighters Grant	\$ 8,782	\$ 0
Separation Phase II	8,778	
Enterprise Funds:		
Water	\$ 4,103	\$ 0
Garbage & Refuse	4,148	\$ 0

With appropriations exceeding estimated resources the Village may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Village should monitor its budgetary process on a regular basis.

Response:

Fiscal Officer will make an effort to monitor budgetary activity more closely.

Finding Number - 2005-002

Ohio Revised Code Section 5705.41 (B) state that no subdivision or taxing unit can expend money unless it has been appropriated. In 2005, expenditures exceeded appropriations by \$1,440 in the Utility deposit fund.

Response:

Fiscal Officer will make an effort to monitor budgetary activity more closely.

**VILLAGE OF ARCANUM
DARKE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Revised Code § 5705.39 Appropriations from each fund should not exceed the total estimated resources	No	Not Corrected - Reissued as Finding 2005-001



**Auditor of State
Betty Montgomery**

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800-282-0370

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VILLAGE OF ARCANUM

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 19, 2006**