



**VILLAGE OF ARCHBOLD
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF ARCHBOLD
FULTON COUNTY

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Mary Taylor, CPA Auditor of State

Village of Archbold
Fulton County
300 North Defiance Street
Archbold, Ohio 43502-1161

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor, CPA
Auditor of State

August 28, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Archbold
Fulton County
300 North Defiance Street
Archbold, Ohio 43502-1161

To the Village Council:

We have audited the accompanying financial statements of the Village of Archbold, Fulton County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006, 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, 2007 or 2006, or its changes in financial position or cash flows, where applicable 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 Archbold, Fulton County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 our report dated August 28, 2008, 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. 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.

Mary Taylor, CPA
Auditor of State

August 28, 2008

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$841,182				\$841,182
Municipal Income Tax	3,713,195	\$751,944			4,465,139
Intergovernmental	600,721	274,252			874,973
Special Assessments			\$301,643	\$6,859	308,502
Charges for Services	519,056	111,121			630,177
Fines, Licenses and Permits	18,843				18,843
Earnings on Investments	107,969	14,485		181,439	303,893
Miscellaneous	81,788	50,356		65,265	197,409
Total Cash Receipts	5,882,754	1,202,158	301,643	253,563	7,640,118
Cash Disbursements:					
Current:					
Security of Persons and Property	1,251,266				1,251,266
Public Health Services	17,830	45,849			63,679
Leisure Time Activities		659,914			659,914
Community Environment	12,563	3,000		525,199	540,762
Basic Utility Service	264,156				264,156
Transportation		606,120			606,120
General Government	980,163				980,163
Debt Service:					
Redemption of Principal		2,640,000	160,000		2,800,000
Interest and Fiscal Charges		118,800	135,154		253,954
Capital Outlay		51,545		3,670,887	3,722,432
Total Cash Disbursements	2,525,978	4,125,228	295,154	4,196,086	11,142,446
Total Cash Receipts Over/(Under) Cash Disbursements	3,356,776	(2,923,070)	6,489	(3,942,523)	(3,502,328)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes		2,500,000			2,500,000
Sale of Fixed Assets		2,785			2,785
Transfers-In		440,000		3,000,000	3,440,000
Transfers-Out	(3,440,000)				(3,440,000)
Advances-In	335				335
Advances-Out			(335)		(335)
Other Financing Sources	362,223			120,017	482,240
Other Financing Uses	(10,177)	(104,232)		(65,078)	(179,487)
Total Other Financing Receipts / (Disbursements)	(3,087,619)	2,838,553	(335)	3,054,939	2,805,538
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	269,157	(84,517)	6,154	(887,584)	(696,790)
Fund Cash Balances, January 1	1,714,074	425,814	23,417	5,081,525	7,244,830
Fund Cash Balances, December 31	\$1,983,231	\$341,297	\$29,571	\$4,193,941	\$6,548,040
Reserve for Encumbrances, December 31	\$42,970	\$45,753		\$712,594	\$801,317

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$3,045,985		\$3,045,985
Operating Cash Disbursements:			
Personal Services	995,361		995,361
Contractual Services	420,053		420,053
Supplies and Materials	602,972		602,972
Total Operating Cash Disbursements	2,018,386		2,018,386
Operating Income	1,027,599		1,027,599
Non-Operating Cash Receipts:			
Earnings on Investments	89,375	\$46	89,421
Sale of Notes	3,900,000		3,900,000
Miscellaneous Receipts	206,352		206,352
Other Non-Operating Cash Receipts	8,580		8,580
Total Non-Operating Cash Receipts	4,204,307	46	4,204,353
Non-Operating Cash Disbursements:			
Capital Outlay	168,035		168,035
Redemption of Principal	4,025,000		4,025,000
Interest and Other Fiscal Charges	136,500		136,500
Other Non-Operating Cash Disbursements	330,841		330,841
Total Non-Operating Cash Disbursements	4,660,376		4,660,376
Net Cash Receipts Over Cash Disbursements	571,530	46	571,576
Fund Cash Balances, January 1	1,899,243	9,623	1,908,866
Fund Cash Balances, December 31	\$2,470,773	\$9,669	\$2,480,442
Reserve for Encumbrances, December 31	\$35,261		\$35,261

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$951,546				\$951,546
Municipal Income Tax	4,061,210	\$815,346			4,876,556
Intergovernmental	444,649	359,872			804,521
Special Assessments			\$299,455	\$7,129	306,584
Charges for Services	514,677	110,226			624,903
Fines, Licenses and Permits	16,847	7			16,854
Earnings on Investments	165,453	26,908		231,506	423,867
Miscellaneous	137,217	33,580		73,585	244,382
Total Cash Receipts	6,291,599	1,345,939	299,455	312,220	8,249,213
Cash Disbursements:					
Current:					
Security of Persons and Property	1,232,877				1,232,877
Public Health Services	18,298	56,458			74,756
Leisure Time Activities		591,102			591,102
Community Environment	17,112	10,050			27,162
Basic Utility Service	264,306				264,306
Transportation		586,588			586,588
General Government	711,817				711,817
Debt Service:					
Redemption of Principal		1,790,000	160,000	800,000	2,750,000
Interest and Fiscal Charges		62,476	144,482	28,389	235,347
Capital Outlay	115,911	487,019		5,263,430	5,866,360
Total Cash Disbursements	2,360,321	3,583,693	304,482	6,091,819	12,340,315
Total Cash Receipts Over/(Under) Cash Disbursements	3,931,278	(2,237,754)	(5,027)	(5,779,599)	(4,091,102)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes		1,740,000		900,000	2,640,000
Transfers-In		500,000		3,400,000	3,900,000
Transfers-Out	(3,900,000)				(3,900,000)
Advances-In			335		335
Advances-Out	(335)				(335)
Other Financing Sources	352,758			155,660	508,418
Other Financing Uses	(76,705)	(160,700)		(558,868)	(796,273)
Total Other Financing Receipts / (Disbursements)	(3,624,282)	2,079,300	335	3,896,792	2,352,145
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	306,996	(158,454)	(4,692)	(1,882,807)	(1,738,957)
Fund Cash Balances, January 1	1,407,078	584,268	28,109	6,964,332	8,983,787
Fund Cash Balances, December 31	\$1,714,074	\$425,814	\$23,417	\$5,081,525	\$7,244,830
Reserve for Encumbrances, December 31	\$43,129	\$66,898		\$3,050,082	\$3,160,109

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$3,094,223		\$3,094,223
Operating Cash Disbursements:			
Personal Services	999,395		999,395
Contractual Services	433,996		433,996
Supplies and Materials	521,027		521,027
Total Operating Cash Disbursements	1,954,418		1,954,418
Operating Income	1,139,805		1,139,805
Non-Operating Cash Receipts:			
Earnings on Investments	68,748	\$49	68,797
Miscellaneous Receipts	268,397		268,397
Other Non-Operating Cash Receipts	8,850		8,850
Total Non-Operating Cash Receipts	345,995	49	346,044
Non-Operating Cash Disbursements:			
Capital Outlay	322,273		322,273
Redemption of Principal	300,900		300,900
Interest and Other Fiscal Charges	12,422		12,422
Other Non-Operating Cash Disbursements	318,505		318,505
Total Non-Operating Cash Disbursements	954,100		954,100
Net Cash Receipts Over Cash Disbursements	531,700	49	531,749
Fund Cash Balances, January 1	1,367,543	9,574	1,377,117
Fund Cash Balances, December 31	\$1,899,243	\$9,623	\$1,908,866
Reserve for Encumbrances, December 31	\$92,987		\$92,987

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Archbold, Fulton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides refuse, water, and sewer utilities; park operations; and police services; fire protection; emergency medical services; road maintenance; and cemetery maintenance.

The Archbold Community Improvement Corporation (the Corporation) acts as the agency and instrumentality of the Village. The Corporation is made up of seven trustees and four officers. The Trustees are appointed by the Mayor and include individuals from local businesses which have an interest in economic development. Three of the four officers are permanent members of Village management and the fourth is an at-large position. The activity of the Corporation is reflected in the Special Revenue Fund Type.

The Village participates in the Ohio Government Risk Management Plan and the Buckeye Ohio Risk Management Agency, Inc. public entity risk pools. Note 9 to the financial statements provide additional information for these entities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except for the land which is held in the name of the Corporation. Note 11 to the financial statements describe this asset.

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Cash 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.

The Village values certificates of deposit and U.S. Treasury Notes at cost. The Huntington Trust Investment fund is recorded at share values the investment fund reports.

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:

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

Parks and Recreation Fund - This fund receives local income tax and charges for service monies for the purpose of providing leisure time activities for the general public and maintaining the Village parks.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Special Assessment Quail Meadows Fund - This fund receives special assessments for the repayment of special assessments bond issues.

Special Assessment – North Pointe II – This fund receives special assessments for the repayment of special assessments bond issues.

Special Assessment – Primrose and Lugbill – This fund receives special assessments for the repayment of special assessments bond issues.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Projects Fund - This fund receives proceeds of general obligation notes and general fund transfers for various construction and improvement projects.

5. 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:

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Water Fund - This fund receives charges for services from users to cover water service costs.

Wastewater Fund - This fund receives charges for services from users to cover wastewater service costs.

6. Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's Agency fund accounts for monies collected by residents in the Lowell E. Short's Fifth Addition subdivision for installation of new sidewalks.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. 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.

2. ACCOUNTING CHANGES

The Village omitted, from its financial statements, a bank account for monies received for future construction of sidewalks in the Lowell W. Short's Fifth Addition subdivision. The affect of this change on fund balances at January 1, 2006 was:

	Agency Fund
Cash Fund Balance, as previously reported, December 31, 2005	
Increase in Fund Balance	\$9,574
Cash Fund Balance, as restated, January 1, 2006	\$9,574

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$3,977,652	\$4,303,917
Certificates of deposit	9,003	800
Total deposits	3,986,655	4,304,717
Huntington Investments:		
Money Market Mutual Funds	831,933	1,129,040
Federal Home Loan Bank	2,253,830	1,750,874
Federal Farm Credit Bank		248,227
Federal Home Loan Mortgage Corporation	753,031	
Federal National Mortgage Association	1,203,033	1,720,838
Total investments	5,041,827	4,848,979
Total deposits and investments	\$9,028,482	\$9,153,696

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments: A financial institution's trust department holds the Village's equity securities in book entry form in the Village's name. The investment in the money market mutual fund is not evidenced by security that exist in physical or book-entry form.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,163,901	\$6,244,977	\$81,076
Special Revenue	4,229,828	4,144,943	(84,885)
Debt Service	295,154	301,643	6,489
Capital Projects	3,421,374	3,373,580	(47,794)
Enterprise	5,645,345	7,250,292	1,604,947
Total	\$19,755,602	\$21,315,435	\$1,559,833

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,177,733	\$6,019,125	\$1,158,608
Special Revenue	4,564,285	4,275,213	289,072
Debt Service	295,504	295,154	350
Capital Projects	8,374,340	4,973,758	3,400,582
Enterprise	7,167,897	6,714,023	453,874
Total	\$27,579,759	\$22,277,273	\$5,302,486

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,133,599	\$6,644,357	\$510,758
Special Revenue	3,592,450	3,585,939	(6,511)
Debt Service	304,481	299,455	(5,026)
Capital Projects	4,353,282	4,767,880	414,598
Enterprise	2,943,950	3,440,218	496,268
Total	\$17,327,762	\$18,737,849	\$1,410,087

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,416,754	\$6,380,155	\$1,036,599
Special Revenue	4,083,154	3,811,291	271,863
Debt Service	304,481	304,482	(1)
Capital Projects	11,266,493	9,700,769	1,565,724
Enterprise	3,879,365	3,001,505	877,860
Total	\$26,950,247	\$23,198,202	\$3,752,045

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback 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 payment is due December 31. The second half payment is due the following June 20.

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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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.

7. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Special Assessment Bonds	2,160,000	4.25% - 7.25%
General Obligation Notes	<u>6,400,000</u>	4.5%
Total	<u><u>\$8,560,000</u></u>	

The Special Assessment Bonds consist of sewer and street improvement issues which are payable from the proceeds of tax assessments against individual property owners. However, the Village does pledge its full faith and credit and revenues to the payment of the debt charges on such bonds.

The General Obligation Notes were issued in anticipation of the issuance of bonds (i) to pay costs of improving Woodland and Memorial Parks and (ii) to pay a portion of the costs of improving the Village's sanitary sewer system. The Village's taxing authority collateralizes General Obligation Notes.

In 2007, the Village retired its General Obligation Bonds for the municipal waterworks improvement projects.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEBT – (Continued)

Amortization of the above debt, including interest, follows:

Year Ending December 31:	Special Assessment Bonds	General Obligation Notes
2008	\$300,659	\$6,621,173
2009	290,294	
2010	294,776	
2011	288,384	
2012	276,846	
2013-2017	1,072,914	
2018-2022	416,744	
2023-2024	37,813	
Total	\$2,978,430	

8. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

Social Security

Effective July 1, 1991, all officials and employees not otherwise covered by OPERS have an option to become a member of the Social Security System. As of December 31, 2007, certain volunteer firefighters have elected to contribute to social security. The volunteer firefighters liability is 6.2% of wages.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. RISK MANAGEMENT

Risk Pool Membership

Ohio Government Risk Management Plan

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2007	2006
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. RISK MANAGEMENT – (Continued)

Buckeye Ohio Risk Management Agency

The Village is also a member of the Buckeye Ohio Risk Management Agency, Inc. (the Pool). The Pool assumes the risk of loss up to the limits of the Village of Archbold's Employee Health Plan policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- Medical benefits;
- Prescription drug; and
- Dental benefits

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (the latest information available):

	<u>2006</u>	<u>2005</u>
Cash and investments	\$2,912,426	\$3,078,143
Actuarial liabilities	\$2,982,949	\$2,488,714

10. CONTRACTUAL COMMITMENTS

The Village had the following construction projects outstanding as of December 31, 2007:

Lawrence Lane/Lafayette Street Improvements	\$357,008
Miscellaneous Resurfacing Projects	69,725
Wastewater Treatment Plant Improvements	224,750
E. Williams Street & N. Lincoln Street Improvements	52,209
	<u>\$703,692</u>

11. ARCHBOLD COMMUNITY IMPROVEMENT CORPORATION - LAND

The Archbold Community Improvement Corporation (the Corporation) owns land which was purchased by the Village in the name of the Corporation. In the event this land is sold, all proceeds will revert to the Village. The appraised value of this land totals \$705,000 as of December 31, 2007.

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Mary Taylor, CPA

Auditor of State

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

Village of Archbold
Fulton County
300 North Defiance Street
Archbold, Ohio 43502-1161

To the Village Council:

We have audited the financial statements of the Village of Archbold, Fulton County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 28, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted a certain matter that we reported to the Village's management in a separate letter dated August 28, 2008.

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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance and other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 28, 2008.

We intend this report solely for the information and use of the finance committee, management, and Council. We intend it for no one other than these specified parties.

Mary Taylor, CPA
Auditor of State

August 28, 2008

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Non Compliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a check for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

22% of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2007-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the fiscal officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-002

Non Compliance Citation and Significant Deficiency

Village of Archbold Resolution 75-29 states that the interest earned on funds is to be returned to the funds from which the principal came.

Interest earned on monies in the Wastewater Treatment Plant Project and Woodland Park Construction funds were incorrectly recorded in the Sewer fund (\$160,234 in 2006 and \$117,136 in 2007) and Capital Projects fund (\$8,184 in 2006), respectively. As seen above, the Village has provided, by resolution, that such funds shall be transferred back to the funds from which they originated.

The Village held an investment fund at Huntington Bank that was comprised of several Village special funds. The Village recorded interest from this larger investment fund in the Street Construction, Maintenance, and Repair fund, the Parks and Recreation fund, the Water fund, and the Sewer fund, all of which were funds represented in the investment fund. These funds, however, had balances that were frequently less than total balance in the investment fund. This variance indicates that there was another fund represented in the investment fund that did not receive the interest that it earned. The following discrepancies were noted with interest allocations:

Adjustments were included in the accompanying financial statements the discrepancies noted above.

We recommend the Village allocate its interest earnings in accordance with the resolution which the Village Council has adopted.

Officials' Response:

We did not receive a response from Officials to the findings reported above.