



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ARCHBOLD
FULTON COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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 (the Village) as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Jim Petro
Auditor of State

May 10, 2002

**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, 2001**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$4,461,057	\$751,325			\$5,212,382
Special Assessments			\$225,976	\$15,177	241,153
Intergovernmental Receipts	416,399	228,876			645,275
Charges for Services	155,531	38,041			193,572
Fines, Licenses, and Permits	15,939	158			16,097
Earnings on Investments	61,914	29,057		51,681	142,652
Miscellaneous	119,603	71,801		98,348	289,752
	5,230,443	1,119,258	225,976	165,206	6,740,883
Cash Disbursements:					
Current:					
Security of Persons and Property	790,443				790,443
Public Health Services	12,029	42,813			54,842
Leisure Time Activities		375,765			375,765
Community Environment	13,387			486,229	499,616
Basic Utility Services	236,162				236,162
Transportation		489,399			489,399
General Government	590,279				590,279
Debt Service:					
Principal Payments			105,000	1,951,000	2,056,000
Interest Payments			127,120	72,798	199,918
Capital Outlay	124,855	250,661		2,762,557	3,138,073
	1,767,155	1,158,638	232,120	5,272,584	8,430,497
Total Receipts Over/(Under) Disbursements	3,463,288	(39,380)	(6,144)	(5,107,378)	(1,689,614)
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes				1,530,000	1,530,000
Transfers-In	2,337	300,000		3,400,000	3,702,337
Advances-In	1,810		1,400		3,210
Other Sources	277,412			25,042	302,454
Transfers-Out	(3,700,000)		(2,337)		(3,702,337)
Advances-Out	(1,400)		(1,810)		(3,210)
Other Uses	(47,644)	(65,683)		(50,183)	(163,510)
	(3,467,485)	234,317	(2,747)	4,904,859	1,668,944
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,197)	194,937	(8,891)	(202,519)	(20,670)
Fund Cash Balances, January 1	717,279	581,442	61,293	1,172,800	2,532,814
Fund Cash Balances, December 31	\$713,082	\$776,379	\$52,402	\$970,281	\$2,512,144
Reserves for Encumbrances, December 31	\$11,775			\$355,966	\$367,741

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 - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,577,806
Operating Cash Disbursements:	
Personal Services	922,987
Contractual Services	309,217
Supplies and Materials	470,159
Capital Outlay	358,616
Total Operating Cash Disbursements	2,060,979
Operating Income	516,827
Non-Operating Cash Receipts:	
Miscellaneous Receipts	78,145
Interest	71,981
Other Non-Operating Receipts	43,960
Total Non-Operating Cash Receipts	194,086
Non-Operating Cash Disbursements:	
Debt Service	132,343
Other Non-Operating Cash Disbursements	211,760
Total Non-Operating Cash Disbursements	344,103
Excess of Receipts Over Disbursements Before Interfund Transfers	366,810
Transfers-In	700,000
Transfers-Out	(700,000)
Net Receipts Over Disbursements	366,810
Fund Cash Balances, January 1	1,514,669
Fund Cash Balances, December 31	\$1,881,479
Reserve for Encumbrances, December 31	\$74,496

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, 2000**

	<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 Tax and Other Local Taxes	\$4,411,376	\$682,164			\$5,093,540
Special Assessments			\$221,071	\$15,900	236,971
Intergovernmental Receipts	380,640	252,169			632,809
Charges for Services	151,368	33,317			184,685
Fines, Licenses, and Permits	18,466	7			18,473
Earnings on Investments	84,712	19,846		77,327	181,885
Miscellaneous	75,498	71,919		97,030	244,447
Total Cash Receipts	<u>5,122,060</u>	<u>1,059,422</u>	<u>221,071</u>	<u>190,257</u>	<u>6,592,810</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	718,551				718,551
Public Health Services	9,783	44,486			54,269
Leisure Time Activities		344,009			344,009
Community Environment	12,039			469,603	481,642
Basic Utility Services	226,412				226,412
Transportation		351,053			351,053
General Government	588,073				588,073
Debt Service:					
Principal Payments			130,000	700,000	830,000
Interest Payments			135,202	28,541	163,743
Capital Outlay	202,613	196,466		3,895,112	4,294,191
Total Cash Disbursements	<u>1,757,471</u>	<u>936,014</u>	<u>265,202</u>	<u>5,093,256</u>	<u>8,051,943</u>
Total Receipts Over/(Under) Disbursements	<u>3,364,589</u>	<u>123,408</u>	<u>(44,131)</u>	<u>(4,902,999)</u>	<u>(1,459,133)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes				1,186,000	1,186,000
Transfers-In		250,000		3,900,000	4,150,000
Advances-In	1,525				1,525
Other Sources	265,973			27,984	293,957
Transfers-Out	(4,150,000)				(4,150,000)
Advances-Out			(1,525)		(1,525)
Other Uses	(42,193)	(58,813)		(52,275)	(153,281)
Total Other Financing Receipts/(Disbursements)	<u>(3,924,695)</u>	<u>191,187</u>	<u>(1,525)</u>	<u>5,061,709</u>	<u>1,326,676</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(560,106)	314,595	(45,656)	158,710	(132,457)
Fund Cash Balances, January 1	1,277,385	266,847	106,949	1,014,090	2,665,271
Fund Cash Balances, December 31	<u><u>\$717,279</u></u>	<u><u>\$581,442</u></u>	<u><u>\$61,293</u></u>	<u><u>\$1,172,800</u></u>	<u><u>\$2,532,814</u></u>
Reserves for Encumbrances, December 31	<u><u>\$31,898</u></u>	<u><u>\$5,095</u></u>	<u><u></u></u>	<u><u>\$495,823</u></u>	<u><u>\$532,816</u></u>

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 - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,690,352
Operating Cash Disbursements:	
Personal Services	795,817
Contractual Services	327,654
Supplies and Materials	426,128
Capital Outlay	435,592
Total Operating Cash Disbursements	1,985,191
Operating Income	705,161
Non-Operating Cash Receipts:	
Miscellaneous Receipts	150,149
Other Non-Operating Receipts	5,970
Total Non-Operating Cash Receipts	156,119
Non-Operating Cash Disbursements:	
Debt Service	126,508
Other Non-Operating Cash Disbursements	202,824
Total Non-Operating Cash Disbursements	329,332
Excess of Receipts Over Disbursements Before Interfund Transfers	531,948
Transfers-In	175,000
Transfers-Out	(175,000)
Net Receipts Over Disbursements	531,948
Fund Cash Balances, January 1	982,721
Fund Cash Balances, December 31	\$1,514,669
Reserve for Encumbrances, December 31	\$137,923

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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Archbold, Fulton 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 water and sewer utilities, park operations, police and fire services.

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 blended in the Special Revenue Fund Type.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit are valued at cost

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

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 ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

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

3. Debt Service Fund

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

Special Assessment Debt Service – This fund receives special assessments for the repayment of special assessments bond issues.

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 projects fund:

Other Capital Projects Fund - This fund receives proceeds of general obligation bonds and notes along with transfers from the General Fund. The proceeds are being used to for various construction and improvement projects.

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 this utility.

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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 2001 and 2000 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$942,823	\$1,116,683
Certificates of deposit	<u>3,450,800</u>	<u>2,930,800</u>
Total deposits	<u><u>\$4,393,623</u></u>	<u><u>\$4,047,483</u></u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,189,575	\$5,510,192	(\$679,383)
Special Revenue	1,486,150	1,419,258	(66,892)
Debt Service	256,584	225,976	(30,608)
Capital Projects	5,968,266	5,120,248	(848,018)
Enterprise	3,134,058	3,471,892	337,834
Total	\$17,034,633	\$15,747,566	(\$1,287,067)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$6,817,044	\$5,526,574	\$1,290,470
Special Revenue	2,002,970	1,224,321	778,649
Debt Service	271,369	234,457	36,912
Capital Projects	7,133,140	5,678,733	1,454,407
Enterprise	4,248,966	3,179,578	1,069,388
Total	\$20,473,489	\$15,843,663	\$4,629,826

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,797,225	\$5,388,033	(\$409,192)
Special Revenue	1,424,550	1,309,422	(115,128)
Debt Service	223,103	221,071	(2,032)
Capital Projects	5,735,231	5,304,241	(430,990)
Enterprise	2,744,835	3,021,471	276,636
Total	\$15,924,944	\$15,244,238	(\$680,706)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$7,026,179	\$5,981,562	\$1,044,617
Special Revenue	1,659,501	999,922	659,579
Debt Service	266,728	265,202	1,526
Capital Projects	7,623,742	5,641,354	1,982,388
Enterprise	3,584,681	2,627,446	957,235
Total	\$20,160,831	\$15,515,486	\$4,645,345

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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

5. 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.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$650,000	4.85% - 5.2%
Special Assessment Bonds	2,790,000	4.65% - 7.0%
Total	<u>\$3,440,000</u>	

The General Obligation Bonds consist of municipal waterworks improvement series. These bonds are collateralized by the Village's taxing authority.

Special Assessment Bonds consist of sewer and street improvements 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.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

	General Obligation Bonds	Special Assessment Bonds
Year ending December 31:		
2002	\$127,735	\$288,760
2003	128,128	281,075
2004	128,227	284,093
2005	127,978	286,400
2006	127,422	288,137
2007 - 2011	131,500	1,377,298
2012 - 2016		1,110,960
2017 - 2021		456,762
Total	\$770,990	\$4,373,485

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village provides medical and life insurance to its eligible employees.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

9. SUBSEQUENT EVENTS

On March 4, 2002, the Village accepted a bid of \$301,233 from Anderzack-Pitzen Construction, Inc. for the Woodland Oaks Phase IV street improvement project. In addition, the Village accepted a bid of \$896,165 from Miller Brothers Construction for the Ditto and Stamm Street improvement project on April 8, 2002.

10. CONTRACTUAL COMMITMENTS

The Village had the following construction projects outstanding from the Capital Projects fund type as of December 31, 2001:

<u>Projects</u>	
Clyde's Way and East Lutz Road Improvement Project	\$21,324
Miscellaneous Parking Lot Improvements	17,565
Woodland Oaks Phase III Improvement Project	38,302
Middle, Brussel and Oak Street Improvement Project	208,440
Alley Improvements	37,078
Miscellaneous Street Improvements	27,012
Sidewalk Repairs	<u>21,017</u>
Total	<u><u>\$370,738</u></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 cost of this land totaled \$465,436 at December 31, 2001.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statements of the Village of Archbold (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 10, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-30126-001. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 10, 2002.

Village of Archbold
Fulton County
Report of Independent Accountants on Compliance and on Internal Control
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This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

May 10, 2002

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30126-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.

- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

The Director of Finance did not make the proper certification of funds for 23 percent of the transactions tested during the audit period. We recommend that the Director of Finance certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "regular blanket", "then and now" or "super blanket" certificates.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund 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 fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF ARCHBOLD

FULTON 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
JUNE 13, 2002**