



Dave Yost • Auditor of State

VILLAGE OF ARCHBOLD
FULTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Archbold
Fulton County
300 North Defiance Street
P.O. Box 406
Archbold, Ohio 43502-0406

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Archbold, Fulton County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Archbold, Fulton County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

May 8, 2013

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$572,501				\$572,501
Municipal Income Tax	3,073,269	\$616,802			3,690,071
Intergovernmental	395,248	270,457		\$283,733	949,438
Special Assessments			\$277,930	22,172	300,102
Charges for Services	574,323	149,630			723,953
Fines, Licenses and Permits	12,180				12,180
Earnings on Investments	5,399	2,799		10,656	18,854
Miscellaneous	47,529	31,612		28,765	107,906
<i>Total Cash Receipts</i>	<u>4,680,449</u>	<u>1,071,300</u>	<u>277,930</u>	<u>345,326</u>	<u>6,375,005</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,352,080				1,352,080
Public Health Services	20,827	43,173			64,000
Leisure Time Activities		589,749			589,749
Community Environment	9,488			614,694	624,182
Basic Utility Services	297,077				297,077
Transportation		674,833			674,833
General Government	669,720	10,442			680,162
Capital Outlay				1,084,122	1,084,122
Debt Service:					
Principal Retirement		67,733	195,000	72,267	335,000
Interest and Fiscal Charges		65,482	81,846	62,927	210,255
<i>Total Cash Disbursements</i>	<u>2,349,192</u>	<u>1,451,412</u>	<u>276,846</u>	<u>1,834,010</u>	<u>5,911,460</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,331,257</u>	<u>(380,112)</u>	<u>1,084</u>	<u>(1,488,684)</u>	<u>463,545</u>
Other Financing Receipts (Disbursements)					
Transfers In	7,845	500,000		2,400,000	2,907,845
Transfers Out	(2,900,000)		(7,845)		(2,907,845)
Advances In	750		50		800
Advances Out	(50)		(750)		(800)
Other Financing Sources	312,213			35,498	347,711
Other Financing Uses	(13,479)	(33,093)		(59,894)	(106,466)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,592,721)</u>	<u>466,907</u>	<u>(8,545)</u>	<u>2,375,604</u>	<u>241,245</u>
<i>Net Change in Fund Cash Balances</i>	<u>(261,464)</u>	<u>86,795</u>	<u>(7,461)</u>	<u>886,920</u>	<u>704,790</u>
<i>Fund Cash Balances, January 1</i>	<u>2,250,732</u>	<u>549,635</u>	<u>27,357</u>	<u>1,298,501</u>	<u>4,126,225</u>
Fund Cash Balances, December 31					
Restricted		636,430	19,896	2,185,421	2,841,747
Assigned	1,497,189				1,497,189
Unassigned	492,079				492,079
<i>Fund Cash Balances, December 31</i>	<u>\$1,989,268</u>	<u>\$636,430</u>	<u>\$19,896</u>	<u>\$2,185,421</u>	<u>\$4,831,015</u>

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$3,115,374		\$3,115,374
Operating Cash Disbursements			
Personal Services	1,047,112		1,047,112
Contractual Services	380,774		380,774
Supplies and Materials	601,338		601,338
<i>Total Operating Cash Disbursements</i>	<u>2,029,224</u>		<u>2,029,224</u>
<i>Operating Income</i>	<u>1,086,150</u>		<u>1,086,150</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	11,434	\$13	11,447
Miscellaneous Receipts	140,178		140,178
Capital Outlay	(485,029)		(485,029)
Other Financing Sources	13,215		13,215
Other Financing Uses	(317,490)		(317,490)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(637,692)</u>	<u>13</u>	<u>(637,679)</u>
<i>Income before Transfers</i>	448,458	13	448,471
Transfers In	75,000		75,000
Transfers Out	(75,000)		(75,000)
<i>Net Change in Fund Cash Balances</i>	448,458	13	448,471
<i>Fund Cash Balances, January 1</i>	<u>2,008,919</u>	<u>24,743</u>	<u>2,033,662</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,457,377</u></u>	<u><u>\$24,756</u></u>	<u><u>\$2,482,133</u></u>

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$616,005				\$616,005
Municipal Income Tax	2,937,370	\$589,751			3,527,121
Intergovernmental	715,771	276,031		\$229,220	1,221,022
Special Assessments			\$284,869	5,412	290,281
Charges for Services	542,292	134,169			676,461
Fines, Licenses and Permits	8,100	75			8,175
Earnings on Investments	11,297	2,355		10,970	24,622
Miscellaneous	55,276	38,546		17,705	111,527
<i>Total Cash Receipts</i>	<u>4,886,111</u>	<u>1,040,927</u>	<u>284,869</u>	<u>263,307</u>	<u>6,475,214</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,296,755				1,296,755
Public Health Services	17,884	66,642			84,526
Leisure Time Activities		526,930			526,930
Community Environment	18,509			631,915	650,424
Basic Utility Services	297,387				297,387
Transportation		665,767			665,767
General Government	796,606	13,037			809,643
Capital Outlay				1,860,435	1,860,435
Debt Service:					
Principal Retirement			195,000	140,000	335,000
Interest and Fiscal Charges			93,384	132,610	225,994
<i>Total Cash Disbursements</i>	<u>2,427,141</u>	<u>1,272,376</u>	<u>288,384</u>	<u>2,764,960</u>	<u>6,752,861</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,458,970</u>	<u>(231,449)</u>	<u>(3,515)</u>	<u>(2,501,653)</u>	<u>(277,647)</u>
Other Financing Receipts (Disbursements)					
Transfers In		440,000		2,350,000	2,790,000
Transfers Out	(2,790,000)				(2,790,000)
Advances In			750		750
Advances Out	(750)				(750)
Other Financing Sources	297,670			80,959	378,629
Other Financing Uses	(12,949)	(31,013)		(57,244)	(101,206)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,506,029)</u>	<u>408,987</u>	<u>750</u>	<u>2,373,715</u>	<u>277,423</u>
<i>Net Change in Fund Cash Balances</i>	<u>(47,059)</u>	<u>177,538</u>	<u>(2,765)</u>	<u>(127,938)</u>	<u>(224)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,297,791</u>	<u>372,097</u>	<u>30,122</u>	<u>1,426,439</u>	<u>4,126,449</u>
Fund Cash Balances, December 31					
Restricted		549,635	27,357	1,298,501	1,875,493
Assigned	1,223,438				1,223,438
Unassigned	1,027,294				1,027,294
<i>Fund Cash Balances, December 31</i>	<u>\$2,250,732</u>	<u>\$549,635</u>	<u>\$27,357</u>	<u>\$1,298,501</u>	<u>\$4,126,225</u>

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

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$2,953,597		\$2,953,597
Operating Cash Disbursements			
Personal Services	1,046,505		1,046,505
Contractual Services	466,684		466,684
Supplies and Materials	647,105		647,105
<i>Total Operating Cash Disbursements</i>	<u>2,160,294</u>		<u>2,160,294</u>
<i>Operating Income</i>	<u>793,303</u>		<u>793,303</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	11,201	\$13	11,214
Miscellaneous Receipts	138,261		138,261
Capital Outlay	(450,461)		(450,461)
Other Financing Sources	65,605		65,605
Other Financing Uses	(355,576)		(355,576)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(590,970)</u>	<u>13</u>	<u>(590,957)</u>
<i>Income before Transfers</i>	202,333	13	202,346
Transfers In	75,000		75,000
Transfers Out	(75,000)		(75,000)
<i>Net Change in Fund Cash Balances</i>	202,333	13	202,346
<i>Fund Cash Balances, January 1</i>	<u>1,806,586</u>	<u>24,730</u>	<u>1,831,316</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,008,919</u></u>	<u><u>\$24,743</u></u>	<u><u>\$2,033,662</u></u>

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, 2012 AND 2011**

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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and refuse utilities; park operations; police services; emergency medical services; road maintenance; and cemetery maintenance. The Village appropriates general fund money to support a volunteer fire department.

The Archbold Community Improvement Corporation (the Corporation) acts as the agency and instrumentality of the Village. The Corporation is comprised 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 General Fund.

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except for the land which is held in the name of the Corporation. Note 10 to the financial statements describes this asset.

B. Accounting Basis

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. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and U.S. government agency securities 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:

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street 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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

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

Special Assessment - North Pointe II Fund - This fund receives special assessment revenue for the repayment of special assessment bond issues.

Special Assessment - Primrose and Lugbill Fund - This fund receives special assessment revenue for the repayment of special assessment bond issues.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Projects Fund - This fund receives 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, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Sewer Fund - This fund receives charges for services from residents to cover sewer 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 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 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

VILLAGE OF ARCHBOLD
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

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

5. **Unassigned**

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at December 31, 2010
General	\$2,241,955	\$55,836	\$2,297,791
Special Revenue	427,933	(55,836)	372,097

3. Equity in Pooled Deposits and Investments

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$2,691,754	\$1,009,068
Certificates of deposit	800	800
Total deposits	<u>2,692,554</u>	<u>1,009,868</u>
U.S. Government Agency Securities	4,620,594	5,150,019
Total deposits and investments	<u><u>\$7,313,148</u></u>	<u><u>\$6,159,887</u></u>

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.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,035,335	\$5,001,257	(\$34,078)
Special Revenue	1,568,605	1,571,300	2,695
Debt Service	277,596	277,980	384
Capital Projects	2,809,789	2,780,824	(28,965)
Enterprise	6,122,430	3,355,201	(2,767,229)
Fiduciary	10	13	3
Total	\$15,813,765	\$12,986,575	(\$2,827,190)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,195,197	\$5,272,965	\$922,232
Special Revenue	1,806,751	1,493,156	313,595
Debt Service	285,441	285,441	
Capital Projects	3,487,830	2,333,566	1,154,264
Enterprise	7,478,053	3,093,419	4,384,634
Total	\$19,253,272	\$12,478,547	\$6,774,725

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,271,827	\$5,183,781	(\$88,046)
Special Revenue	1,626,320	1,480,927	(145,393)
Debt Service	288,385	285,619	(2,766)
Capital Projects	2,824,029	2,694,266	(129,763)
Enterprise	3,196,680	3,243,664	46,984
Fiduciary	15	13	(2)
Total	\$13,207,256	\$12,888,270	(\$318,986)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,088,998	\$5,252,993	\$836,005
Special Revenue	1,726,029	1,347,318	378,711
Debt Service	288,384	288,384	
Capital Projects	4,036,908	2,969,839	1,067,069
Enterprise	4,609,536	3,277,587	1,331,949
Total	\$16,749,855	\$13,136,121	\$3,613,734

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Property Tax

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

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

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

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, 2012 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$3,420,000	Various
Special Assessment Bonds	1,230,000	Various
Total	\$4,650,000	

The General Obligation Bonds were issued (1) to pay costs of improving Woodland and Memorial Parks and (2) to pay a portion of the costs of improving and expanding the Village's wastewater treatment plant. The bonds were issued in 2010 and will mature in 2030. The Parks and Recreation Fund will pay for 51 percent of the debt, and the Sewer Fund will pay for the remaining 49 percent. Debt payments will be made semi-annually.

The Village's taxing authority collateralized the bonds.

The Special Assessment Bonds consist of sewer and street improvements, 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, 2012 AND 2011
(Continued)**

7. Debt (Continued)

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

Year ending December 31:	General Obligation Bonds	Special Assessment Bonds
2013	\$264,210	\$270,269
2014	265,010	273,291
2015	266,748	210,459
2016	262,998	170,751
2017	263,498	148,144
2018-2022	1,356,643	416,744
2023-2027	1,377,480	37,812
2028-2030	748,138	
Total	<u>\$4,804,725</u>	<u>\$1,527,470</u>

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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, 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 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

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, 2012, certain volunteer firefighters have elected to contribute to Social Security. The volunteer firefighters liability is 6.2 percent of wages.

9. Risk Management

Risk Pool Membership

Ohio Plan Risk Management, Inc.

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio 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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

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: 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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):

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

	<u>2011</u>	<u>2010</u>
Assets	\$5,908,926	\$3,813,990
Liabilities	4,634,769	\$3,297,768

10. Archbold Community Improvement Corporation

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 \$661,000 as of December 31, 2012. The Village paid the Corporation \$400,000 in 2010, which was part of a \$450,000 loan made by the Corporation to a local business.

11. Related Party Transactions

Jeff Fryman, a Village Council member, is part owner of Black Swamp Equipment. Black Swamp Equipment is a local company that sells various supplies, machine parts, and rental of small equipment. In 2012 and 2011, the Village purchased \$10,012 and \$22,203, respectively, in various supplies, equipment rentals, and small parts. The purchases were approved at arm's length, with full knowledge of Village officials of Mr. Fryman's interest. Mr. Fryman took no part in the deliberation or decision by Village officials with respect to the purchases.

12. Subsequent Events

The Village issued \$1,900,000 in bond anticipation notes on April 17, 2013 to finance the construction of a process addition and building at the water treatment plant. The notes have a stated interest rate of .55 percent and mature on April 17, 2014.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
P.O. Box 406
Archbold, Ohio 43502-0406

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Archbold, Fulton County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2013 wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1 and wherein the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 8, 2013

**VILLAGE OF ARCHBOLD
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Material Weakness – Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

The 2013 annual appropriation measure for the general fund was adopted on December 27, 2012 in the amount of \$6,230,677. Estimated receipts were \$4,815,878. A portion of the general fund balance, \$1,414,799 was needed to cover the difference. This amount should have been recognized as assigned for subsequent year's appropriations instead of being classified as unassigned.

The 2012 annual appropriation measure for the general fund was adopted on December 29, 2011 in the amount of \$6,173,044. Estimated receipts were \$5,035,335. A portion of the general fund balance, \$1,137,709 was needed to cover the difference. This amount should have been recognized as assigned for subsequent year's appropriations instead of being classified as unassigned.

Adjustments were recorded to the 2012 and 2011 financial statements to classify the amounts as assigned.

In order to ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Village review Auditor of State Bulletin 2011-004.

Officials' Response:

Village officials acknowledge the existence of a technical material weakness in regards to the classification of fund balances relating to the appropriations process. The Village has amended its standard procedures to comply with GASB Statement Number 54 in future years.

This page intentionally left blank.

VILLAGE OF ARCHBOLD
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Recommendation to improve monitoring of financial statements.	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

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
MAY 28, 2013