



**Auditor of State
Betty Montgomery**

VILLAGE OF PEMBERVILLE
WOOD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Pemberville
Wood County
115 Main Street, P.O. Box 109
Pemberville, Ohio 43450-0109

To the Village Council:

We have audited the accompanying financial statements of the Village of Pemberville, Wood County, (the Village) as of and for the years ended December 31, 2002 and 2001. 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, 2002 and 2001, 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 [End of fieldwork date] 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.

Village of Pemberville
Wood County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 13, 2003

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$114,754	\$358,939			\$473,693
Special Assessments			\$116,446	\$4,824	121,270
Intergovernmental Receipts	46,458	58,554			105,012
Fines, Licenses, and Permits	33,410	130			33,540
Earnings on Investments	48,078	291			48,369
Miscellaneous	7,472	2,043			9,515
Total Cash Receipts	250,172	419,957	116,446	4,824	791,399
Cash Disbursements:					
Current:					
Security of Persons and Property	176,089				176,089
Public Health Services	1,400				1,400
Leisure Time Activities	1,636	4,877			6,513
Community Environment				7,554	7,554
Basic Utility Services	3,028				3,028
Transportation		52,101			52,101
General Government	136,682	21,239	1,316		159,237
Debt Service:					
Principal Payments			70,887		70,887
Interest Payments			44,820		44,820
Capital Outlay	40,225	64,221		234,925	339,371
Total Cash Disbursements	359,060	142,438	117,023	242,479	861,000
Total Receipts Over/(Under) Disbursements	(108,888)	277,519	(577)	(237,655)	(69,601)
Other Financing Receipts/(Disbursements):					
Other Uses		(3,803)			(3,803)
Transfers-In	165,000			165,000	330,000
Advances-In	102,094		2,502		104,596
Transfers-Out	(158,012)	(330,000)			(488,012)
Advances-Out	(2,502)		(2,094)		(4,596)
Total Other Financing Receipts/(Disbursements)	106,580	(333,803)	408	165,000	(61,815)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,308)	(56,284)	(169)	(72,655)	(131,416)
Fund Cash Balances, January 1	278,351	256,947	5,650	516,642	1,057,590
Fund Cash Balances, December 31	\$276,043	\$200,663	\$5,481	\$443,987	\$926,174
Reserves for Encumbrances, December 31	\$34,996	\$7,958	\$44,289	\$87,243	

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,623,204
Fines, Licenses and Permits	\$11,307
Miscellaneous	9,305
Total Operating Cash Receipts	1,643,816
Operating Cash Disbursements:	
Personal Services	220,251
Transportation	1,299
Contractual Services	1,048,506
Supplies and Materials	57,532
Capital Outlay	356,851
Total Operating Cash Disbursements	1,684,439
Operating Loss	(40,623)
Non-Operating Cash Disbursements:	
Redemption of Principal	19,109
Interest and Other Fiscal Charges	11,922
Other Financing Uses	3,550
Total Non-Operating Cash Disbursements	34,581
Excess of Disbursements Over Receipts Before Interfund Transfers and Advances	(75,204)
Transfers-In	158,012
Advances-In	20,000
Advances-Out	(120,000)
Net Disbursements Over Receipts	(17,192)
Fund Cash Balances, January 1	753,457
Fund Cash Balances, December 31	\$736,265
Reserve for Encumbrances, December 31	\$171,552

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

**VILLAGE OF PEMBERVILLE
WOOD 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	\$82,940	\$348,050			\$430,990
Special Assessments			\$117,696	\$4,493	122,189
Intergovernmental Receipts	53,711	58,842			112,553
Fines, Licenses, and Permits	26,473	125			26,598
Earnings on Investments	92,136	379			92,515
Miscellaneous	9,988	1,300		1,000	12,288
Total Cash Receipts	265,248	408,696	117,696	5,493	797,133
Cash Disbursements:					
Current:					
Security of Persons and Property	195,707				195,707
Public Health Services	1,309				1,309
Leisure Time Activities	779	6,315			7,094
Community Environment				24,490	24,490
Basic Utility Services	3,054				3,054
Transportation		49,423			49,423
General Government	134,652	20,051	1,359		156,062
Debt Service:					
Principal Payments			68,946		68,946
Interest Payments			47,189		47,189
Capital Outlay	12,220	7,984		94,048	114,252
Total Cash Disbursements	347,721	83,773	117,494	118,538	667,526
Total Receipts Over/(Under) Disbursements	(82,473)	324,923	202	(113,045)	129,607
Other Financing Receipts/(Disbursements):					
Other Uses		(9,802)			(9,802)
Transfers-In	165,000			165,000	330,000
Advances-In	2,387		2,094		4,481
Transfers-Out	(41,188)	(330,000)			(371,188)
Advances-Out	(152,094)		(2,387)		(154,481)
Total Other Financing Receipts/(Disbursements)	(25,895)	(339,802)	(293)	165,000	(200,990)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(108,368)	(14,879)	(91)	51,955	(71,383)
Fund Cash Balances, January 1	386,719	271,826	5,741	464,687	1,128,973
Fund Cash Balances, December 31	\$278,351	\$256,947	\$5,650	\$516,642	\$1,057,590
Reserves for Encumbrances, December 31	\$33,349	\$60,511		\$130,064	\$223,924

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,418,660
Miscellaneous	60,437
Total Operating Cash Receipts	1,479,097
Operating Cash Disbursements:	
Personal Services	224,985
Transportation	3,004
Contractual Services	1,093,108
Supplies and Materials	82,957
Capital Outlay	328,588
Total Operating Cash Disbursements	1,732,642
Operating Loss	(253,545)
Non-Operating Cash Disbursements:	
Redemption of Principal	18,551
Interest and Other Fiscal Charges	12,562
Other Financing Uses	3,160
Total Non-Operating Cash Disbursements	34,273
Excess of Disbursements Over Receipts Before Interfund Transfers and Advances	(287,818)
Transfers-In	41,188
Advances-In	250,000
Advances-Out	(100,000)
Net Disbursements Over Receipts	(96,630)
Fund Cash Balances, January 1	850,087
Fund Cash Balances, December 31	\$753,457
Reserve for Encumbrances, December 31	\$380,421

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Pemberville, Wood 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, and police.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when 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

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 Fund:

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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:

Sewer Separation Fund – This fund receives sewer assessments used to pay debt service on the Water Pollution Control Revolving Loan.

4. Capital Project Funds

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

Permanent Improvement Fund – This fund receives distributions from the Income Tax Fund to fund improvement projects in the Village.

Water Capital Improvement Fund – This fund receives distributions from the Income Tax Fund to fund water improvement projects in the Village.

5. Enterprise Funds

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

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

Electric 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 object level of, 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.

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.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH

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:

	2002	2001
Demand deposits	\$212,439	\$161,047
Certificates of deposit	1,450,000	1,650,000
Total deposits	\$1,662,439	\$1,811,047

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$356,718	\$415,172	\$58,454
Special Revenue	392,264	419,957	27,693
Debt Service	117,207	116,446	(761)
Capital Projects	165,000	169,824	4,824
Enterprise	1,590,642	1,801,828	211,186
Total	\$2,621,831	\$2,923,227	\$301,396

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$657,929	\$552,068	\$105,861
Special Revenue	602,611	484,199	118,412
Debt Service	117,162	117,023	139
Capital Projects	630,064	286,768	343,296
Enterprise	2,242,232	1,890,572	351,660
Total	<u>\$4,249,998</u>	<u>\$3,330,630</u>	<u>\$919,368</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$325,201	\$430,248	\$105,047
Special Revenue	392,337	408,696	16,359
Debt Service	118,005	117,696	(309)
Capital Projects	190,000	170,493	(19,507)
Enterprise	1,694,455	1,520,285	(174,170)
Total	<u>\$2,719,998</u>	<u>\$2,647,418</u>	<u>(\$72,580)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$534,531	\$422,258	\$112,273
Special Revenue	570,892	484,086	86,806
Debt Service	117,590	117,494	96
Capital Projects	572,642	248,602	324,040
Enterprise	2,322,369	2,147,336	175,033
Total	<u>\$4,118,024</u>	<u>\$3,419,776</u>	<u>\$698,248</u>

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.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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 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 quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Individual taxpayers are not required to pay estimated taxes quarterly.

The Village received income taxes totaling \$348,877 in FY 2002 and \$337,963 in FY 2001.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,724,307	3.12%
Special Assessment Bonds	8,000	6.375%
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)	1,789,814	4.88 - 5.63%
Repayment to Electric Fund	80,000	
Total	\$3,602,121	

The Ohio Water Development Authority (OWDA) administered a State water pollution control revolving loan fund (WPCLF) loan to the Village for a sewer separation project. The amount of the loan to be financed was \$2,000,525 and it will be repaid in semiannual installments of \$68,859, including interest, over 20 years. The loan is being repaid by assessment against some property owners and a debt service charge to each sewer utility customer.

The OMEGA JV5 Project involved villages within the State that joined together to finance a municipal electric generation facility. Bonded debt was issued in the total amount of \$153,415,000 for the project; the amount listed above and the amortization schedule below represents this Village's participant share of .92 percent. This debt will be financed through users' charges. On February 14, 2001, an ongoing lawsuit concerning the JV5 joint venture was settled for \$12,800,000. The Village portion of this is estimated at \$117,760. The money for this lawsuit will be obtained by refinancing the existing JV5 debt, which will result in no increase in participants' annual debt service payments, but will increase the duration of the debt.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

The Special Assessment Bonds relate to sewer system improvements from 1973. These bonds are being repaid through assessments to property owners.

The Village advanced by way of transfer \$100,000 from the Electric Fund to the Sewer Fund. This advance is to be repaid to the Electric Fund over a period of 5 years, beginning in 2002, at 0 percent interest.

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

Year ending December 31:	OWDA Loan	Special Assessment Bonds	OMEGA JV5 Debt	Advance Repayment - Electric Fund
2003	\$137,719	\$8,510	\$99,601	\$20,000
2004	137,719		99,570	20,000
2005	137,719		99,459	20,000
2006	137,719		99,392	20,000
Subsequent	1,652,622		2,292,639	
Total	<u>\$2,203,498</u>	<u>\$8,510</u>	<u>\$2,690,661</u>	<u>\$80,000</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officer belongs to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including 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 2002 and 2001, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of their wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2001 and 2002. The Village has paid all contributions required through December 31, 2002. The Village pays a 2 percent pick-up for some employees.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2001 and 2000 generally protect against individual losses exceeding \$100,000 (\$150,000 for policies issued prior to April 1, 2000).

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1 percent of total coverage.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2001 and 2000 (latest information available):

	2001	2000
Assets	\$3,354,251	\$2,958,827
Liabilities	(4,851,866)	(3,863,373)
Retained deficit	(\$1,497,615)	(\$904,546)

The following risks are covered by the Pool:

- General liability and property damage.
- Law enforcement liability.
- Public official's liability.
- Inland marine.
- Electronic data processing equipment coverage.
- Vehicle liability and property damage.

The Village also provides health insurance and dental coverage to full-time employees through a private carrier.

9. JOINT VENTURES

Ohio Municipal Electric Generation Agency Joint Venture 5

The Village is a participant with forty-one other municipalities within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV) was created for that purpose. On the dissolution of the joint venture, the net assets of JV will be shared by the participants on a percentage basis. The JV is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$153,415,000 certificates of beneficial interest debt that was issued to construct the fixed asset. Complete financial statements for JV5 can be obtained from AMP-Ohio or from the Village's Administrator. The Village paid a total of \$94,539 for OMEGA JV-5 in both FY 2002 and FY 2001.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Pemberville
Wood County
115 Main Street, P.O. Box 109
Pemberville, Ohio 43450-0109

To the Village Council:

We have audited the accompanying financial statements of the Village of Pemberville, Wood County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 13, 2003. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 13, 2003.

Village of Pemberville
Wood County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 13, 2003



**Auditor of State
Betty Montgomery**

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VILLAGE OF PEMBERVILLE

WOOD 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
JULY 1, 2003**