



**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003-2004**



**Auditor of State  
Betty Montgomery**



VILLAGE OF PEMBERVILLE  
WOOD COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

September 26, 2005

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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

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, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Beginning in fiscal year 2004, the Village began processing its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Pemberville, Wood County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

September 26, 2005

**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, 2004**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$119,274	\$9,950		\$0	\$129,224
Municipal Income Tax		354,892			354,892
Special Assessments			110,058	4,677	114,735
Intergovernmental Receipts	37,300	70,868			108,168
Fines, Licenses, and Permits	13,738	185			13,923
Earnings on Investments	24,291	986			25,277
Miscellaneous	11,516	1,906			13,422
<b>Total Cash Receipts</b>	<u>206,119</u>	<u>438,787</u>	<u>110,058</u>	<u>4,677</u>	<u>759,641</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	204,683				204,683
Public Health Services	1,549				1,549
Leisure Time Activities	2,438	14,084			16,522
Basic Utility Services	3,228				3,228
Transportation		62,845			62,845
General Government	157,325	23,701			181,026
Debt Service:					
Principal Payments			68,234		68,234
Interest Payments			41,171		41,171
Capital Outlay				106,817	106,817
<b>Total Cash Disbursements</b>	<u>369,223</u>	<u>100,630</u>	<u>109,405</u>	<u>106,817</u>	<u>686,075</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(163,104)</u>	<u>338,157</u>	<u>653</u>	<u>(102,140)</u>	<u>73,566</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds or Notes					0
Transfers-In	165,000			165,000	330,000
Transfers-Out	(69,711)	(330,000)			(399,711)
Other Financing Uses	(1,650)	(9,891)			(11,541)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>93,639</u>	<u>(339,891)</u>	<u>0</u>	<u>165,000</u>	<u>(81,252)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(69,465)</u>	<u>(1,734)</u>	<u>653</u>	<u>62,860</u>	<u>(7,686)</u>
<b>Fund Cash Balances, January 1</b>	<u>144,291</u>	<u>208,504</u>	<u>5,280</u>	<u>517,398</u>	<u>875,473</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$74,826</b></u>	<u><b>\$206,770</b></u>	<u><b>\$5,933</b></u>	<u><b>\$580,258</b></u>	<u><b>\$867,787</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$4,645</b></u>	<u><b>\$1,698</b></u>	<u><b>\$0</b></u>	<u><b>\$2,000</b></u>	<u><b>\$8,343</b></u>

*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, 2004**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,538,037
Miscellaneous	12
	1,538,049
<b>Operating Cash Disbursements:</b>	
Personal Services	177,847
Fringe Benefits	69,240
Contractual Services	1,149,104
Supplies and Materials	62,800
Other	3,436
Capital Outlay	228,550
	1,690,977
Operating Income/(Loss)	(152,928)
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	83,365
Proceeds from Notes and Bonds	40,616
Other Non-Operating Receipts	12,094
	136,075
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	19,000
Interest and Other Fiscal Charges	10,588
	29,588
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(46,441)
Transfers-In	69,711
Advances-In	
Transfers-Out	
Advances-Out	
	23,270
Net Receipts Over/(Under) Disbursements	23,270
Fund Cash Balances, January 1	830,091
<b>Fund Cash Balances, December 31</b>	<b>\$853,361</b>
Reserve for Encumbrances, December 31	\$75,733

*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, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$114,104	\$9,993			\$124,097
Municipal Income Tax		361,934			361,934
Special Assessments			117,614	4,585	122,199
Intergovernmental Receipts	60,751	64,515			125,266
Fines, Licenses, and Permits	13,532	25			13,557
Earnings on Investments	22,822	240			23,062
Miscellaneous	7,716	770			8,486
	<u>218,925</u>	<u>437,477</u>	<u>117,614</u>	<u>4,585</u>	<u>778,601</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	231,767				231,767
Public Health Services	4,069				4,069
Leisure Time Activities	2,000	2,471			4,471
Basic Utility Services	3,030				3,030
Transportation		63,681			63,681
General Government	156,455	24,667			181,122
Debt Service:					
Principal Payments			72,889		72,889
Interest Payments			42,389		42,389
Capital Outlay	50,385	3,929		95,300	149,614
	<u>447,706</u>	<u>94,748</u>	<u>115,278</u>	<u>95,300</u>	<u>753,032</u>
Total Receipts Over/(Under) Disbursements	<u>(228,781)</u>	<u>342,729</u>	<u>2,336</u>	<u>(90,715)</u>	<u>25,569</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	165,000			165,000	330,000
Advances-In	2,502				2,502
Transfers-Out	(70,473)	(330,000)			(400,473)
Advances-Out			(2,502)		(2,502)
Other Financing Uses		(4,888)	(35)	(874)	(5,797)
	<u>97,029</u>	<u>(334,888)</u>	<u>(2,537)</u>	<u>164,126</u>	<u>(76,270)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(131,752)	7,841	(201)	73,411	(50,701)
Fund Cash Balances, January 1	276,043	200,663	5,481	443,987	926,174
<b>Fund Cash Balances, December 31</b>	<u><b>\$144,291</b></u>	<u><b>\$208,504</b></u>	<u><b>\$5,280</b></u>	<u><b>\$517,398</b></u>	<u><b>\$875,473</b></u>
Reserves for Encumbrances, December 31	<u>\$12,920</u>	<u>\$6,680</u>	<u>\$0</u>	<u>\$48,042</u>	<u>\$67,642</u>

*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, 2003**

	<b>Proprietary Fund</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,416,575
Fines, Licenses, and Permits	\$8,490
Miscellaneous	5,156
	1,430,221
<b>Operating Cash Disbursements:</b>	
Personal Services	239,481
Transportation	1,983
Contractual Services	1,019,497
Supplies and Materials	65,463
Capital Outlay	119,930
	1,446,354
Operating Income/(Loss)	(16,133)
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	71,326
Proceeds from Notes and Bonds	2,360
	73,686
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	19,685
Interest and Other Fiscal Charges	11,265
Other Non-Operating Cash Disbursements	3,250
	34,200
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	23,353
Transfers-In	110,473
Advances-In	20,000
Transfers-Out	(40,000)
Advances-Out	(20,000)
	93,826
Net Receipts Over/(Under) Disbursements	93,826
Fund Cash Balances, January 1	736,265
<b>Fund Cash Balances, December 31</b>	<b>\$830,091</b>
Reserve for Encumbrances, December 31	\$182,566

*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, 2004 AND 2003**

**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 Pemberville, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water, sewer, and electric utilities, park operations, and police services.

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

**Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)**

The Village of Pemberville is a Non-Financing Participant and an Owner Participant with percentages of liability and ownership percentage of .15 and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$70,330 at December 31, 2004. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2004 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
			Grand Total	<u>100.00%</u>	<u>134,081</u>

The Village's liability for the bonds is disclosed in Note 9.

**Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)**

The Village of Pemberville is a Financing Participant with an ownership percentage of .92%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004 Pemberville has met their debt coverage obligation. The liability for the bonds is disclosed in Note 9.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$79,535 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village values certificates of deposit at cost.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

Park Fund -This fund receives donations and real estate tax to maintain Memorial Park.

Income Tax Fund – This fund receives money from Municipal income tax, a portion of which is transferred into the General and Permanent Improvement Funds.

**3. Debt Service Funds**

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

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 account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project 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 Improvements in the Village.

Sewer Capital Improvement Fund – This fund receives distributions from the Income Tax Fund to fund Sewer Improvements in the Village.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**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:

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

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.

**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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**G. Accumulated Leave**

Upon retirement, employees are entitled to cash payments for unused sick (1/4) and vacation leave. The financial statements do not include a liability for unpaid leave.

**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 and investments at December 31 was as follows:

	2004	2003
Demand deposits	\$271,148	\$255,564
Certificates of deposit	1,450,000	1,450,000
Total deposits	\$1,721,148	\$1,705,564

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$353,234	\$371,119	\$17,885
Special Revenue	409,151	438,787	29,636
Debt Service	108,500	110,058	1,558
Capital Projects	165,000	169,677	4,677
Enterprise	1,657,900	1,743,835	85,935
Total	\$2,693,785	\$2,833,476	\$139,691

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$476,780	\$445,229	\$31,551
Special Revenue	551,900	442,219	109,681
Debt Service	109,430	109,405	25
Capital Projects	548,742	108,817	439,925
Enterprise	2,064,554	1,796,298	268,256
Total	\$3,751,406	\$2,901,968	\$849,438

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$357,325	\$386,427	\$29,102
Special Revenue	392,437	437,477	45,040
Debt Service	111,130	117,614	6,484
Capital Projects	165,000	169,585	4,585
Enterprise	1,625,400	1,634,380	8,980
Total	<u>\$2,651,292</u>	<u>\$2,745,483</u>	<u>\$94,191</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$588,976	\$531,099	\$57,877
Special Revenue	541,228	436,316	104,912
Debt Service	117,935	117,815	120
Capital Projects	460,989	144,216	316,773
Enterprise	2,040,382	1,723,120	317,262
Total	<u>\$3,749,510</u>	<u>\$2,952,566</u>	<u>\$796,944</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**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 can pay estimated taxes quarterly and file a declaration annually. Individual taxpayers are not required to pay estimated taxes.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,552,499	3.12%
OPWC - Joyce Avenue Sewer	42,976	0.00%
Repayment to Electric Fund	40,000	0.00%
Total	\$1,635,475	

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 Ohio Public Works Commission (OPWC) administered financial assistance from the Ohio Small Government Capital Improvements Commission for the Joyce Avenue Sewer Main Replacement Project. The amount of the loan to be financed is \$42,976 and it will be repaid in semiannual installments over 20 years, beginning January 2005, at 0% interest.

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% interest.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan	OPWC Loan	Advance Repayment - Electric Fund
2005	\$137,719	\$2,149	\$20,000
2006	137,719	2,149	20,000
2007	137,719	2,149	
2008	137,719	2,149	
2009	137,719	2,149	
Subsequent	863,904	32,231	
Total	\$1,552,499	\$42,976	\$40,000

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 8 percent of their wages. The Village contributed an amount equal to 19.5 percent of

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

police participant wages. OPERS members contributed 6.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004. The Village picks up 2 percent of participants OPERS and OP&F contributions.

**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. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

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:

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>

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**

The Village is a participant with forty-one other municipalities in the Ohio Municipal Electric Generation Agency Joint Venture 5- Belleville Project. The Village ownership share of this project is 0.92 percent. Each member is required to make debt service payments for the project based upon their percentage of ownership.

Amortization of the above debt follows:

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

Year ending December 31:	Principal	Interest	Refunding Debt Service	Total
2005	\$37,398	\$46,897	\$12,644	\$96,939
2006	37,950	46,411	12,654	97,015
2007	39,422	44,893	12,647	96,962
2008	40,250	44,105	12,653	97,008
2009	41,170	43,199	12,655	97,024
2010-2030	1,395,732	385,218	189,690	1,970,640
Total	<u>\$1,591,922</u>	<u>\$610,723</u>	<u>\$252,943</u>	<u>\$2,455,588</u>

The Village is a participant with thirty-five other municipalities in the Ohio Municipal Electric Generation Agency Joint Venture 2. The Village ownership share of this project is 0.15 percent. The Village is a non-financing participant and therefore does not have a debt coverage requirement.

**10. ENTERPRISE FUND SEGMENT INFORMATION**

The Village maintains two Enterprise funds to account for the operations of the Electric Utility. The table below reflects, in a summarized format, the more significant financial data relating to the Electric Operating Fund and the Electric Replacement Fund for the year ended December 31, 2004.

Fund Type	Electric Operating	Electric Replacement	Total
Operating Income/(Loss)	(\$132,188)	\$66,000	(\$66,188)
Non-Operating Income	6,899	0	6,899
Operating Transfers In	69,711	0	69,711
Net Income/(Loss)	(55,578)	0	(55,578)
Fund Balance 12/31/04	375,618	100,000	475,618



**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Pemberville, Wood County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 26, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village began using the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions in 2004. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses

**Compliance and Other Matter**

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

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

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated September 26, 2005 we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for 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

September 26, 2005



**Auditor of State  
Betty Montgomery**

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

**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  
DECEMBER 6, 2005**