VILLAGE OF PEMBERVILLE
WOOD COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

Mary Taylor, CPA
Auditor of State

VILLAGE OF PEMBERVILLE
WOOD COUNTY

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Mary Taylor, CPA
Auditor of State

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pemberville, Wood County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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. The Village processes 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 Township 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pemberville, Wood County, Ohio, as of December 31, 2005, and the respective changes in cash financial position thereof and the respective budgetary comparisons for the General and Income Tax funds for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2007

VILLAGE OF PEMBERVILLE
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

This discussion and analysis of the Village of Pemberville's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased $15,169, or 3 percent, a minor change from the prior year. The General Fund increased by $41,805, or 56 percent; however the Permanent Improvement Funds decreased by $42,130, or 15 percent. The main reason for the increase/decrease in the funds was due to a change in the ratio of income tax distribution.

- The Village's general receipts are primarily property and income taxes. These receipts represent respectively 6 and 38 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 changed very little compared to 2004.

- The business-type operating activities for the Village are Water, Sewer and Electric. The Water Fund had an increase of 21%; Sewer had a decrease of 16% due to capital expenditures and the Electric had an increase of 8 percent.

- The Village purchased a note in the amount of $132,000 from The Union Bank to purchase the Riverside Garage.

- The Village received a $25,000 Community Development Block Grant (CDBG) for the engineering of the downtown revitalization project.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. Municipal income tax, property taxes, gasoline and motor vehicle license tax financed most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has several business-type activities, the provision of water, sewer and electric. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's three major governmental funds are the General, Income Tax and Permanent Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village Enterprise funds are based on operations of the water, sewer and electric utilities. There are capital/replacement funds also for these funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalent:	$588,200	$573,031	$1,237,874	$1,148,121	$1,826,074	$1,721,152
Net Assets						
Restricted for:						
Capital Outlay	243,369	285,499			243,369	285,499
Debt Service	6,455	5,933			6,455	5,933
Other Purposes	221,745	206,773			221,745	206,773
Unrestricted	116,631	74,826	1,237,874	1,148,121	1,354,505	1,222,947
Total Net Assets	$588,200	$573,031	$1,237,874	$1,148,121	$1,826,074	$1,721,152

As mentioned previously, net assets of governmental activities increased $15,169 or 3 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- The cause for the increase in Governmental Funds is due to unexpected estate taxes, a slight increase in income tax revenue and higher interest rates.

- The Proprietary Fund increase was due primarily to a small increase in Water & Sewer Rates.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

VILLAGE OF PEMBERVILLE
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	$12,845	$1,772,084	$1,784,929
Operating Grants and Contributions	79,064		79,064
Capital Grants and Contributions	123,754	91,417	215,171
Total Program Receipts	215,663	1,863,501	2,079,164
General Receipts:			
Property and Other Local Taxes	61,300		61,300
Income Taxes	376,507		376,507
Other Taxes	63,452		63,452
Grants and Entitlements Not Restricted to Specific Programs	68,321		68,321
Sale of Notes	132,000		132,000
Interest	43,243		43,243
Miscellaneous	23,136	6,648	29,784
Total General Receipts	767,959	6,648	774,607
Total Receipts	983,622	1,870,149	2,853,771
Disbursements:			
Security of Persons and Property:	215,881		215,881
Public Health Services	1,372		1,372
Leisure Time Activities	37,968		37,968
Basic Utilities	4,556		4,556
Transportation	75,600		75,600
General Government	180,019		180,019
Capital Outlay	227,729		227,729
Principal Retirement	70,363		70,363
Interest and Fiscal Charges	37,767		37,767
Other	12,921		12,921
Water Operating		174,312	174,312
Sewer Operating		200,560	200,560
Electric Operating		1,472,319	1,472,319
Water Capital Improvement		34,000	34,000
Utility Deposit		3,482	3,482
Total Disbursements	864,176	1,884,673	2,748,849
Excess (Deficiency) Before Transfers	119,446	(14,524)	104,922
Advances In	15,000		15,000
Advances Out		(15,000)	(15,000)
Transfers In		119,277	119,277
Transfer Out	(119,277)		(119,277)
Increase in Net Assets	15,169	89,753	104,922
Net Assets, January 1, 2006	573,031	1,148,121	1,721,152
Net Assets, December 31, 2006	$588,200	$1,237,874	$1,826,074

Program receipts represent only 22 percent of total Village's receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 78 percent of the Village's total receipts, and of this amount, over 75 percent are income taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Government activities. These include the costs of council, and the clerk-treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities is security of persons and property and capital outlay, which account for 25 and 26 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 21 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost of Services 2005	Net Cost of Services 2005
Security of Persons and Property	$215,881	$202,610
Public Health Services	1,372	1,372
Leisure Time Activities	37,968	36,258
Community Environment		(724)
Basic Utilities	4,556	(108)
Transportation	75,600	(485)
General Government	180,019	179,900
Capital Outlay	227,729	220,025
Principal Retirement	70,363	(2,038)
Interest and Fiscal Charges	37,767	(1,218)
Other	12,921	12,921
Total Expenses	$864,176	$648,513

The dependence upon property and income tax receipts is apparent as over 75 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water operating fund of the Village reflects an increase of 21 percent net assets. The sewer operating fund of the Village reflects a decrease of 16 percent in net assets due to capital expenditures. The electric operating of the Village reflects an increase of 8 percent in Net Assets.

The Village's Funds

Total governmental funds had receipts and other financing sources of $1,280,059 and disbursements and other financing uses of $1,264,890. The greatest change within governmental funds occurred within the General and Permanent Improvement Funds. The fund balance of the General Fund increased $41,805 and the Permanent Improvement fund decreased $42,130 as the result of changing the ratio of the income tax distribution, increased interest rates and unexpected estate tax.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to the change in the income tax distribution ratio, inheritance tax and higher interest rates. The difference between final budgeted receipts and other financing sources and actual receipts and other financing sources was $70,742.

Final disbursements and other financing uses were budgeted at $476,200 while actual disbursements and other financing uses were $473,083.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt included $132,000 for the purchase of the Riverside Garage Building, $1,462,522 Ohio Water Development Authority Loan for the 1998 Sewer Separation Project, $1,037,100 for the JV5 Belleville Hydro Project, $40,827 OPWC Joyce Ave. For further information regarding the Village's debt, refer to Notes 12 and 13 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local taxes to maintain the General Fund. Since we have maintained a 1% income tax since 1976 and expenses increase each year, we are trying to find ways to bring more income into the General Fund. We are applying for grants to revitalize the downtown business district and Issue II Funds to replace the North Water Plant.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Debra Cartledge, Fiscal Officer, Village of Pemberville, 115 Main St., Pemberville, Oh. 43450-0109.

VILLAGE OF PEMBERVILLE
WOOD COUNTY

Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Cash	$588,200	$1,237,874	$1,826,074
Net Assets			
Restricted for:			
Capital Projects	243,369		243,369
Debt Service	6,455		6,455
Other Purposes	221,745		221,745
Unrestricted	116,631	1,237,874	1,354,505
Total Net Assets	$588,200	$1,237,874	$1,826,074

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE
WOOD COUNTY

Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	$215,881	$12,002	$1,269		($202,610)		($202,610)
Public Health Services	1,372				(1,372)		(1,372)
Leisure Time Activities	37,968		1,710		(36,258)		(36,258)
Community Environment		724			724		724
Basic Utility Services	4,556			$4,664	108		108
Transportation	75,600		76,085		485		485
General Government	180,019	119			(179,900)		(179,900)
Capital Outlay	227,729			7,704	(220,025)		(220,025)
Debt Service:							
Principal	70,363			72,401	2,038		2,038
Interest	37,767			38,985	1,218		1,218
Other	12,921				(12,921)		(12,921)
Total Governmental Activities	864,176	12,845	79,064	123,754	(648,513)		(648,513)
Business Type Activities							
Water Operating	174,312	204,991				30,679	30,679
Sewer Operating	200,560	171,283		54,434		25,157	25,157
Electric Operating	1,472,319	1,392,210				(80,109)	(80,109)
Water Replacement				36,983		36,983	36,983
Water Capital Improvement	34,000					(34,000)	(34,000)
Utility Deposit	3,482	3,600				118	118
Total Business Type Activities	1,884,673	1,772,084		91,417		(21,172)	(21,172)
Total Primary Government	$2,748,849	$1,784,929	$79,064	$215,171	(648,513)	(21,172)	(669,685)
	General Receipts						
	Property Taxes				61,300		61,300
	Municipal Income Taxes				376,507		376,507
	Other Taxes				63,452		63,452
	Grants and Entitlements not Restricted to Specific Programs				68,321		68,321
	Sale of Notes				132,000		132,000
	Earnings on Investments				43,243		43,243
	Miscellaneous				23,136	6,648	29,784
	Total General Receipts				767,959	6,648	774,607
	Transfers				(119,277)	119,277	
	Advances				15,000	(15,000)	
	Total General Receipts, Transfers and Advances				663,682	110,925	774,607
	Change in Net Assets				15,169	89,753	104,922
	Net Assets Beginning of Year				573,031	1,148,121	1,721,152
	Net Assets End of Year				$588,200	$1,237,874	$1,826,074

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE
WOOD COUNTY

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Income Tax	Permanent Improvement	Other Governmental Funds	Total
Assets					
Cash	$116,631	$88,245	$243,369	$139,955	$588,200
Fund Balances					
Reserved:					
Reserved for Encumbrances	7,610	1,405		7,731	16,746
Unreserved:					
Undesignated, Reported in:					
General Fund	109,021				109,021
Special Revenue Funds		86,840		125,769	212,609
Debt Service Fund				6,455	6,455
Capital Projects Funds			243,369		243,369
Total Fund Balances	$116,631	$88,245	$243,369	$139,955	$588,200

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE
WOOD COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Income Tax	Permanent Improvement	Other Governmental Funds	Total
Receipts					
Property and Other Local Taxes	$114,402			$10,350	$124,752
Municipal Income Taxes		$376,507			376,507
Intergovernmental	67,403			84,948	152,351
Special Assessments			$4,664	111,386	116,050
Fines, Licenses and Permits	12,730			115	12,845
Earnings on Investments	43,243			2,738	45,981
Miscellaneous	22,063			1,073	23,136
Total Receipts	259,841	376,507	4,664	210,610	851,622
Disbursements					
Current:					
Security of Persons and Property	215,109			772	215,881
Public Health Services	1,372				1,372
Leisure Time Activities	25,000			12,968	37,968
Basic Utility Services	4,556				4,556
Transportation				75,600	75,600
General Government	149,809	27,335	65	2,810	180,019
Capital Outlay			227,729		227,729
Debt Service:					
Principal Retirement				70,363	70,363
Interest and Fiscal Charges				37,767	37,767
Total Disbursements	395,846	27,335	227,794	200,280	851,255
Excess of Receipts Over (Under) Disbursements	(136,005)	349,172	(223,130)	10,330	367
Other Financing Sources (Uses)					
Sale of Notes			132,000		132,000
Transfers In	232,437		49,000		281,437
Transfers Out	(69,277)	(330,000)		(1,437)	(400,714)
Advances In	15,000				15,000
Other Financing Uses	(350)	(4,867)		(7,704)	(12,921)
Total Other Financing Sources (Uses)	177,810	(334,867)	181,000	(9,141)	14,802
Net Change in Fund Balances	41,805	14,305	(42,130)	1,189	15,169
Fund Balances Beginning of Year	74,826	73,940	285,499	138,766	573,031
Fund Balances End of Year	$116,631	$88,245	$243,369	$139,955	$588,200

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE
WOOD COUNTY

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	$118,965	$118,965	$114,402	($4,563)
Intergovernmental	31,800	39,934	67,403	27,469
Fines, Licenses and Permits	9,400	6,700	12,730	6,030
Earnings on Investments	23,500	23,500	43,243	19,743
Miscellaneous	7,135		22,063	22,063
Total Receipts	190,800	189,099	259,841	70,742
Disbursements				
Current:				
Security of Persons and Property	192,202	228,409	217,375	11,034
Public Health Services	1,600	1,600	1,372	228
Leisure Time Activities			25,000	(25,000)
Basic Utility Services	5,006	5,006	4,591	415
General Government	149,391	170,835	155,118	15,717
Total Disbursements	348,199	405,850	403,456	2,394
Excess of Receipts UnderDisbursements	(157,399)	(216,751)	(143,615)	73,136
Other Financing Sources (Uses)				
Transfers In	165,000	232,437	232,437	
Transfers Out	(70,000)	(70,000)	(69,277)	723
Advances In		15,000	15,000	
Other Financing Uses		(350)	(350)	
Total Other Financing Sources	95,000	177,087	177,810	723
Net Change in Fund Balance	(62,399)	(39,664)	34,195	73,859
Fund Balance Beginning of Year	70,181	70,181	70,181	
Prior Year Encumbrances Appropriated	4,645	4,645	4,645	
Fund Balance End of Year	$12,427	$35,162	$109,021	$73,859

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE
WOOD COUNTY

Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	$350,000	$345,000	$376,507	$31,507
Disbursements				
Current:				
General Government	32,795	32,795	28,740	4,055
Excess of Receipts Over Disbursements	317,205	312,205	347,767	35,562
Other Financing Uses				
Transfers Out	(330,000)	(330,000)	(330,000)	
Other Financing Uses	(10,000)	(10,000)	(4,867)	5,133
Total Other Financing Uses	(340,000)	(340,000)	(334,867)	5,133
Net Change in Fund Balance	(22,795)	(27,795)	12,900	40,695
Fund Balance Beginning of Year	73,940	73,940	73,940	
Fund Balance End of Year	$51,145	$46,145	$86,840	$40,695

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE
WOOD COUNTY

Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

	Water Operating	Sewer Operating	Electric Operating	Water Capital Improvement	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets						
Cash	$178,551	$130,963	$406,058	$280,001	$242,301	$1,237,874
Net Assets						
Unrestricted	$178,551	$130,963	$406,058	$280,001	$242,301	$1,237,874

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE
WOOD COUNTY

Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005

	Water Operating	Sewer Operating	Electric Operating	Water Capital Improvement	Other Enterprise Funds	Total Enterprise
Operating Receipts						
Charges for Services	$204,991	$171,283	$1,392,210		$3,600	$1,772,084
Operating Disbursements						
Personal Services	63,697	56,825	68,716			189,238
Employee Fringe Benefits	27,017	25,490	31,101			83,608
Contractual Services	34,478	38,025	1,129,779			1,202,282
Supplies and Materials	34,798	19,378	9,485			63,661
Other			86		3,482	3,568
Total Operating Disbursements	159,990	139,718	1,239,167		3,482	1,542,357
Operating Income	45,001	31,565	153,043		118	229,727
Non-Operating Receipts (Disbursements)						
Special Assessments		54,434			36,983	91,417
Miscellaneous Receipts		5,379	1,269			6,648
Capital Outlay	(14,322)	(29,105)	(16,602)	($34,000)		(94,029)
Principal Payments		(21,763)	(37,359)			(59,122)
Interest and Fiscal Charges		(9,974)	(179,191)			(189,165)
Total Non-Operating Receipts (Disbursements)	(14,322)	(1,029)	(231,883)	(34,000)	36,983	(244,251)
Income (Loss) before Transfers and Advances	30,679	30,536	(78,840)	(34,000)	37,101	(14,524)
Transfers In			69,277	25,000	25,000	119,277
Advances In			40,000			40,000
Advances Out		(55,000)				(55,000)
Change in Net Assets	30,679	(24,464)	30,437	(9,000)	62,101	89,753
Net Assets Beginning of Year	147,872	155,427	375,621	289,001	180,200	1,148,121
Net Assets End of Year	$178,551	$130,963	$406,058	$280,001	$242,301	$1,237,874

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 – REPORTING ENTITY

The Village of Pemberville, Wood County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six member Council governs the Village. The Mayor is elected to a four-year term, presides over Council meetings and only votes to break a tie.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, electric, sewer and water utilities, maintenance of Village streets, buildings, lands, parks, and police services.

B. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in two joint ventures and one public entity risk pool and one jointly governed organization. These organizations are presented in notes 9, 16 and 17.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories: governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has three major governmental funds. They are:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Income Tax Fund – The municipal income tax fund, a special revenue fund, accounts for monies derived from the one percent municipal income tax.

Permanent Improvement Fund - The permanent improvement fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Electric, Water, Sewer and Water Capital Projects Funds.

Electric Fund – The Electric Fund accounts for the provision of power to the residents, commercial and large power users with several users being outside of village limits.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users. Most users are located within the Village, however, we have a minimal number who live outside of Village limits.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Capital Projects Fund – This fund receives a portion of the water service charges to use toward capital projects on the water system.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005, the Village invested in certificates of deposits. The nonnegotiable certificates of deposit are reported at cost. Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was $43,243, which includes $37,750 assigned from other Village funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contribution include portions for pension benefits and for post-retirement health care benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the Village's roads and bridges and parks. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicated that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There were no adjustments to the beginning fund balances since the basis of accounting has not change.

NOTE 4– BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general and income tax funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to $7,610 for the general fund and $1,405 for the income tax fund.

NOTE 5– DEPOSITS

Monies held by the Village are classified by State statute.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

NOTE 5– DEPOSITS – (CONTINUED)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $1,549,215 of the Village's bank balance of $1,849,215 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution.

NOTE 6– INCOME TAXES

The Village levies a one percent income tax whose proceeds are placed into the Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of one half of one percent tax rate on taxable income from other municipalities. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to file a final return annually.

NOTE 7– PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was $2.40 per $1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

NOTE 7– PROPERTY TAXES – (CONTINUED)

Real Property	
Residential	$18,833,300
Agriculture	162,630
Commercial/Industrial	3,607,330
Public Utility	8,080
Tangible Personal Property	
General Personal	4,555,354
Public Utility	277,500
Total Assessed Value	$27,444,194

NOTE 8– INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2005, consisted of $120,000 due to the General Fund and $20,000 due to the Electric Operating Fund from the Sewer Fund.

The balance due to the General Fund was a loan to provide working capital to install a sludge holding tank. The balance due to the Electric Operating Fund was a loan to make emergency sewer repairs. The balance is being paid back to the General Fund in increments of $15,000 per year and to the Electric Operating Fund in increments of $20,000 per year from the Sewer Fund.

NOTE 9– 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:

	2005	2004
Assets	$ 2,241,661	$2,309,178
Liabilities	(3,457,720)	(3,343,299)
Accumulated deficit	($1,216,059)	($1,034,121)

NOTE 10 DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377 or www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village paid two percent of the employees obligated share of their contribution. The 2005 employer contribution rate for state employers was 13.55% of covered payroll.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were $49,233, $55,860, and $47,256 respectively. The full amount has been contributed for 2005, 2004, and 2003.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 at 614-628-2975 or www.op-f.org.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The Village pays two percent of the obligated plan members contribution. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003, were $17,012, $14,629, and $20,151. The full amount has been contributed for 2005, 2004, and 2003.

NOTE 11 DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statue. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were $14,531. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund – Post-employment Health Care Benefits

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

NOTE 11 DEFINED BENEFIT PENSION PLANS – (CONTINUED)

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment benefits were $7,761 for police. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was $108,039,449, which was net of member contributions of $55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

NOTE 12 NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2006, follows:

	2005 Interest Rate	Balance 1/1/05	Additions	Reductions	Balance 12/31/05
Bank Note	3.50%		$132,000		$132,000

An interest bearing note was purchased from The Union Bank Company. Interest only was paid in 2006.

NOTE 13 DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance 1/1/05	Additions	Reductions	Balance 12/31/05	Due within One year
Business-type Activites						
1999 OWDA Loan (Original Amount $2,000,525)	3.12%	$1,552,499		$89,977	$1,462,522	$46,044
2005 OPWC Loan (Original Amount $42,976)	0.00%	42,976		2,149	40,827	1,074
2004 JV5 Certificates (Original Amount $1,074,459)	Variable		1,074,459	37,359	1,037,100	37,911
Total Business-type Activities		$1,595,475	$1,074,459	$129,485	$2,540,449	$85,029

NOTE 13 DEBT – (CONTINUED)

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments, including interest, over 20 years. The loan is secured by sewer receipts and assessments. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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 4.79% interest.

Information regarding the 2004 JV5 Certificates is included in note 16 to the financial statements.

The following is a summary of the Village's future annual debt service requirements:

	JV5 Bond		OWDA Loan		OPWC Loan
Year	Principal	Interest	Principal	Interest	Principal
2006	$37,911	$46,737	$46,044	$22,815	$1,074
2007	39,381	44,453	94,254	43,465	2,149
2008	40,208	43,607	97,218	40,501	2,149
2009	41,127	42,640	100,274	37,444	2,149
2010	42,000	41,486	103,427	34,291	2,149
2011-2015	235,782	179,339	568,013	120,580	10,745
2016-2020	301,631	112,803	453,292	28,723	10,745
2021-2025	299,060	30,115			9,667
Totals	$1,037,100	$541,180	$1,462,522	$327,819	$40,827

NOTE 14 INTERFUND TRANSFERS

During 2005 the following transfer was made:

Transfers from the General Fund to:	
Electric Operating Fund	$69,277
Transfers from Special Assessment Debt Service Fund to:	
General Fund	$1,437
Transfers from the Income Tax Fund To:	
General Fund	$231,000
Permanent Improvement	49,000
Water Capital Improvement	25,000
Sewer Capital Improvement	25,000
Total Transfers from the Income Tax Fund	$330,000

All transfers were legal and in compliance with Ohio Revised Code. Transfers between governmental funds are eliminated for reporting in the governmental statement of activities. Transfers from the general fund were to return the kilowatt hour tax to the Electric Operating Fund. Transfers from the income tax fund were to distribute the City's income tax collections. The transfer from the Special Assessment Debt Service Fund was made to close the fund since the obligations have been paid in full.

NOTE 15 CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The Village is defendant in a few pending lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

NOTE 16 JOINT VENTURES

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village of Pemberville is a Non-Financing Participant and an Owner Participant with an ownership percentage of .15 and shares participation with thirty-five (35) 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 $86,055 at December 31, 2006. 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.

NOTE 16 JOINT VENTURES – (CONTINUED)

The thirty-six participating subdivisions in the Joint Venture – Omega JV2 and their respective ownership shares at December 31, 2006 are:

Municipality	Percent Kw Ownership	Entitlement
Hamilton	23.87%	$32,000
Bowling Green	14.32%	19,198
Niles	11.49%	15,400
Cuyahoga Falls	7.46%	10,000
Wadsworth	5.81%	7,784
Painesville	5.22%	7,000
Dover	5.22%	7,000
Galion	4.29%	5,753
Amherst	3.73%	5,000
St. Mary's	2.98%	4,000
Montpelier	2.98%	4,000
Shelby	1.89%	2,536
Versailles	1.24%	1,660
Edgerton	1.09%	1,460
Yellow Springs	1.05%	1,408
Oberlin	0.91%	1,217
Pioneer	0.86%	1,158
Seville	0.79%	1,066

Municipality	Percent Kw Ownership	Entitlement
Grafton	0.79%	1,056
Brewster	0.75%	1,000
Monroeville	0.57%	764
Milan	0.55%	737
Oak Harbor	0.55%	737
Elmore	0.27%	364
Jackson Center	0.22%	300
Napoleon	0.20%	264
Lodi	0.16%	218
Genoa	0.15%	199
Pemberville	0.15%	197
Lucas	0.12%	161
South Vienna	0.09%	123
Bradner	0.09%	119
Woodville	0.06%	81
Haskins	0.05%	73
Arcanum	0.03%	44
Custar	0.00%	4
Grand Total	100.00%	$134,081

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, 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.

NOTE 16 JOINT VENTURES – (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 charges 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, 2006, Pemberville has met their debt coverage obligation. The liability for the bonds is disclosed in Note 12.

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 $99,389 at December 31, 2005. 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.

NOTE 17 JOINTLY GOVERNED ORGANIZATION

Pemberville Union Cemetery Board. The Board is comprised of 3 members alternating between the Freedom Township Trustees and Village Council. In 2005 one member of Council was on the Cemetery Board. This Board makes decision on cost of lot purchases, maintenance of the cemetery and regulations.

Mary Taylor, CPA
Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Pemberville, Wood County, Ohio (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 10, 2007, in which we disclosed the Village prepares its financial statements on the cash basis of accounting. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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 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 opinions 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. In a separate letter to the Village's management dated October 10, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated October 10, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2007

VILLAGE OF PEMBERVILLE
WOOD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Ohio Rev. Code Section 5705.10 requires all revenue derived from a source other than the general property tax and which the law prescribed shall be used for a particular purpose, shall be paid into a special fund for such purpose. Additionally, money paid into a special fund shall be used only for the purposes for which such fund is established.

The 2005 Village financial records reflected a swimming pool contribution from the permanent improvement fund in the amount of twenty-five thousand dollars. A swimming pool contribution does not fit the purpose for which the permanent improvement fund was created. The general fund should have made the contribution. The Village Fiscal Officer posted this adjustment to the Village records and is reflected in the accompanying financial statements.

Officials Response: The Officials did not respond regarding this matter.

Mary Taylor, CPA
Auditor of State

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
NOVEMBER 8, 2007

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