



Mary Taylor, CPA  
Auditor of State

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

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Mary Taylor, CPA  
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**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, 2006, 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.

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, 2006, 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.

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, CPA  
Auditor of State

October 10, 2007

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
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, 2006, 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 2006 are as follows:

- Net assets of governmental activities increased \$124,466, or 21%, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund and the Income Tax Fund.
- The General Fund balance, increased by \$74,879, or 64% due to higher interest rates on cash and cash equivalents. Total interest earned for 2006 on cash and cash equivalents amounted to \$103,158. The Income Tax Fund balance increased in 2006 by \$26,279, or 30%. This increase was due to an increase in village income tax receipts.
- The Village's general receipts are primarily property and income taxes. These receipts represent respectively 12% and 37% percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2006 increased by \$19,170, or 3% compared to 2005.
- The business-type operating activities for the Village are Water, Sewer and Electric. The Water Fund had an increase of 17%; Sewer had an increase of 40% due to proceeds received from our OWDA loan; and the Electric had an increase of 79% due to increased revenues in 2006 because the power cost adjustment recaptured the costs for the Seams Elimination Cost Adjustment (SECA) expenditures from prior years.
- Village income tax eliminated the one-half percent (1/2%) tax credit for payments to other municipalities.
- The community swimming pool operations were taken over by the Village in which the Village transferred \$25,000 into the Swimming Pool Fund in March 2006. There was an Enterprise Fund established for the Swimming Pool operations.
- The North Water Plant Project is in process. The Village received an Issue II Ohio Public Works Matching Grant of \$175,000. The total project is for \$350,000. The date of completion is projected for 2008.
- The New Sewer Plant is in the design stage. The Village has received an OWDA Loan for the designing in the amount of \$250,000. The entire construction project has a projected cost of \$2,000,000.
- The Village purchased a new one-ton truck with snow plow equipment for the Streets and Sidewalk Departments. The total amount expended for the truck was \$45,000.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)

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 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments 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.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)

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 taxes and motor vehicle license taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-type activities:** The Village has several business-type activities, the provision of water, sewer, electric and community swimming pool. 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 three 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 nonmajor 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 has three major funds: 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 has four major enterprise funds: the Water Operating, Sewer Operating, Electric Operating funds and Water Capital Improvement.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Cash	<u>\$712,666</u>	<u>\$588,200</u>	<u>\$1,573,916</u>	<u>\$1,237,874</u>	<u>\$2,286,582</u>	<u>\$1,826,074</u>
<b>Net Assets</b>						
Restricted for:						
Capital Outlay	248,497	243,369			248,497	243,369
Debt Service	9,768	6,455			9,768	6,455
Other Purposes	262,891	221,745			262,891	221,745
Unrestricted	191,510	116,631	1,573,916	1,237,874	1,765,426	1,354,505
Total Net Assets	<u>\$712,666</u>	<u>\$588,200</u>	<u>\$1,573,916</u>	<u>\$1,237,874</u>	<u>\$2,286,582</u>	<u>\$1,826,074</u>

As mentioned previously, net assets of governmental activities increased \$ 124,466 or 21 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Local income tax receipts increased 4%.
- Other increases in the Governmental Funds resulted from higher interest rates on cash and cash equivalent balances.
- The Proprietary Fund increase was due to increased receipts in the Water Operating, Sewer Operating, and Electric Operating Funds. The Electric Operating Fund had a significant increase due to higher receipts from the power cost adjustment that recaptured the Seams Elimination Cost Adjustment (SECA) expenditures from the prior year.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities, business-type activities and total primary government.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)

(Table 2)  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$12,394	\$12,845	\$2,072,950	\$1,772,084	\$2,085,344	\$1,784,929
Operating Grants and Contributions	90,581	79,064			90,581	79,064
Capital Grants and Contributions	118,180	123,754	110,061	91,417	228,241	215,171
Total Program Receipts	<u>221,155</u>	<u>215,663</u>	<u>2,183,011</u>	<u>1,863,501</u>	<u>2,404,166</u>	<u>2,079,164</u>
General Receipts:						
Property and Other Local Taxes	66,712	61,300			66,712	61,300
Income Taxes	390,265	376,507			390,265	376,507
Other Taxes	73,497	63,452			73,497	63,452
Grants and Entitlements Not Restricted to Specific Programs	62,886	68,321			62,886	68,321
Sale of Notes	132,000	132,000			132,000	132,000
Other Debt Proceeds			71,567		71,567	
Cable Franchise Fees	6,102				6,102	
Interest	94,014	43,243			94,014	43,243
Miscellaneous	14,162	23,136	3,498	6,648	17,660	29,784
Total General Receipts	<u>839,638</u>	<u>767,959</u>	<u>75,065</u>	<u>6,648</u>	<u>914,703</u>	<u>774,607</u>
Total Receipts	<u>1,060,793</u>	<u>983,622</u>	<u>2,258,076</u>	<u>1,870,149</u>	<u>3,318,869</u>	<u>2,853,771</u>
Disbursements:						
Security of Persons and Property:	195,323	215,881			195,323	215,881
Public Health Services	1,411	1,372			1,411	1,372
Leisure Time Activities	18,972	37,968			18,972	37,968
Basic Utilities	3,037	4,556			3,037	4,556
Transportation	74,182	75,600			74,182	75,600
General Government	189,239	180,019			189,239	180,019
Capital Outlay	47,439	227,729			47,439	227,729
Principal Retirement	204,558	70,363			204,558	70,363
Interest and Fiscal Charges	40,256	37,767			40,256	37,767
Other	28,489	12,921			28,489	12,921
Water Operating			177,714	174,312	177,714	174,312
Sewer Operating			228,253	200,560	228,253	200,560
Electric Operating			1,425,463	1,472,319	1,425,463	1,472,319
Swimming Pool			45,896		45,896	
Water Replacement			129,621		129,621	
Water Capital Improvement			40,732	34,000	40,732	34,000
Enterprise Improvement			3,826		3,826	
Utility Deposit			3,950	3,482	3,950	3,482
Total Disbursements	<u>802,906</u>	<u>864,176</u>	<u>2,055,455</u>	<u>1,884,673</u>	<u>2,858,361</u>	<u>2,748,849</u>
Excess (Deficiency) Before Transfers	<u>257,887</u>	<u>119,446</u>	<u>202,621</u>	<u>(14,524)</u>	<u>460,508</u>	<u>104,922</u>
Advances In	15,000	15,000			15,000	15,000
Advances Out			(15,000)	(15,000)	(15,000)	(15,000)
Transfers In			148,421	119,277	148,421	119,277
Transfer Out	<u>(148,421)</u>	<u>(119,277)</u>			<u>(148,421)</u>	<u>(119,277)</u>
Increase in Net Assets	124,466	15,169	336,042	89,753	460,508	104,922
Net Assets, January 1	588,200	573,031	1,237,874	1,148,121	1,826,074	1,721,152
Net Assets, December 31	<u>\$712,666</u>	<u>\$588,200</u>	<u>\$1,573,916</u>	<u>\$1,237,874</u>	<u>\$2,286,582</u>	<u>\$1,826,074</u>

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)

Program receipts represent only 21% percent of total governmental activity receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 80% percent of the Village's total governmental activity receipts, and of this amount, over 46% percent are local income taxes. Property Taxes, Special Assessments, Interest, and other miscellaneous receipts make up the balance of the Village's general receipts.

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 fiscal officer and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police protection; Public Health Services, Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

The Capital Outlay disbursements were lower for 2006 compared to 2005. In 2005, the Village purchased the Riverside Garage for \$132,000, and spent \$67,731 in repairing highways, sidewalks, and curbs. There was one major purchase in 2006 which was the one-ton truck with snow plow equipment for the Street Department.

**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 are for security of persons and property and debt principal retirement, which account for 25%, and 23% percent of all governmental disbursements, respectively. General government also represents a significant cost, about 24% percent. The next three columns of the Statement entitled Program Cash 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 services which end 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.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Security of Persons and Property	\$195,323	\$184,889	\$215,881	\$202,610
Public Health Services	1,411	1,411	1,372	1,372
Leisure Time Activities	18,972	13,722	37,968	36,258
Community Environment				(724)
Basic Utilities	3,037	(949)	4,556	(108)
Transportation	74,182	(12,628)	75,600	(485)
General Government	189,239	187,279	180,019	179,900
Capital Outlay	47,439	47,439	227,729	220,025
Principal Retirement	204,558	132,420	70,363	(2,038)
Interest and Fiscal Charges	40,256	(321)	37,767	(1,218)
Other	28,489	28,489	12,921	12,921
<b>Total Expenses</b>	<b>\$802,906</b>	<b>\$581,751</b>	<b>\$864,176</b>	<b>\$648,513</b>

The dependence upon property and income tax receipts is apparent as over 57% percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The water operation of the Village reflects an increase of 17 percent in net assets. The sewer operation net assets increased 40 percent. The electric operating fund of the Village reflects a 79 percent increase in Net Assets. Receipts were higher for 2006 because prior costs were recuperated with a power cost adjustment.

**The Village's Funds**

Total governmental funds had receipts and other financing sources of \$1,355,793 and disbursements and other financing uses of \$1,231,327. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$74,879 as the result of increased interest on investments, increased property and local taxes, and decreased costs in security of persons and properties.

General Fund receipts were more than disbursements by \$74,879. Council passed legislation that eliminated the ½% tax credit for paying income tax to other municipalities which increased Village income tax receipts.

**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.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)

During 2006, the Village did not amend its General Fund budget for receipts. Final budgeted receipts were the same as original budgeted receipts. The difference between final budgeted receipts and actual receipts was significant. Interest earnings were much higher than anticipated due to increased interest rates.

Final disbursements and other financing uses were budgeted at \$512,371 while actual disbursements and other financing uses were \$471,421. Actual receipts were above the budgeted receipts and appropriations were below our budgeted disbursements.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2006, the Village's outstanding debt included \$132,000 for the purchase of the Riverside Garage Building, \$1,369,716 Ohio Water Development Authority Loan for the 1998 Sewer Separation Project, \$999,189 for the JV5 Belleville Hydro Project, \$38,678 OPWC Joyce Ave. For further information regarding the Village's debt, refer to Notes 10 and 11 to the basic financial statements.

**Current Issues**

The challenge for all Villages 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 and have minimal industry to support the tax base. Our newly prepared financial forecast predicts a deficit of \$477,699 for 2007, in which estimated receipts total \$3,619,398 and permanent appropriations total \$4,097,097. The Village income tax rate has been maintained at 1%. We did eliminate the ½% credit for payment to other municipalities in the spring of 2006. Appropriations for 2007 are lower by \$296,310 in anticipation for possible decreased revenues. We have applied for a Nature Works Grant and a Downtown Revitalization Grant.

**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, 115 Main St., PO Box 109, Pemberville, OH 43450-0109.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2006*

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Cash	<u>\$712,666</u>	<u>\$1,573,916</u>	<u>\$2,286,582</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	248,497		248,497
Debt Service	9,768		9,768
Other Purposes	262,891		262,891
Unrestricted	191,510	1,573,916	1,765,426
<i>Total Net Assets</i>	<u>\$712,666</u>	<u>\$1,573,916</u>	<u>\$2,286,582</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006*

	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
<b>Governmental Activities</b>							
Security of Persons and Property	\$195,323	\$10,434			(\$184,889)		(\$184,889)
Public Health Services	1,411				(1,411)		(1,411)
Leisure Time Activities	18,972		\$5,250		(13,722)		(13,722)
Basic Utility Services	3,037			\$3,986	949		949
Transportation	74,182		85,331	1,479	12,628		12,628
General Government	189,239	1,960			(187,279)		(187,279)
Capital Outlay	47,439				(47,439)		(47,439)
Debt Service:							
Principal	204,558			72,138	(132,420)		(132,420)
Interest	40,256			40,577	321		321
Other	28,489				(28,489)		(28,489)
<b>Total Governmental Activities</b>	<b>802,906</b>	<b>12,394</b>	<b>90,581</b>	<b>118,180</b>	<b>(581,751)</b>		<b>(581,751)</b>
<b>Business Type Activities</b>							
Water Operating	177,714	206,813				\$29,099	29,099
Sewer Operating	228,253	176,377		68,220		16,344	16,344
Electric Operating	1,425,463	1,651,458				225,995	225,995
Swimming Pool	45,896	34,402				(11,494)	(11,494)
Water Replacement	129,621			38,015		(91,606)	(91,606)
Water Capital Improvement	40,732					(40,732)	(40,732)
Enterprise Improvement	3,826			3,826			
Utility Deposit	3,950	3,900				(50)	(50)
<b>Total Business Type Activities</b>	<b>2,055,455</b>	<b>2,072,950</b>		<b>110,061</b>		<b>127,556</b>	<b>127,556</b>
<b>Total Primary Government</b>	<b>\$2,858,361</b>	<b>\$2,085,344</b>	<b>\$90,581</b>	<b>\$228,241</b>	<b>(581,751)</b>	<b>127,556</b>	<b>(454,195)</b>
<b>General Receipts</b>							
Property Taxes					66,712		66,712
Municipal Income Taxes					390,265		390,265
Other Taxes					73,497		73,497
Grants and Entitlements not Restricted to Specific Programs					62,886		62,886
Sale of Notes					132,000		132,000
Other Debt Proceeds						71,567	71,567
Cable Franchise Fees					6,102		6,102
Earnings on Investments					94,014		94,014
Miscellaneous					14,162	3,498	17,660
<b>Total General Receipts</b>					<b>839,638</b>	<b>75,065</b>	<b>914,703</b>
Transfers					(148,421)	148,421	
Advances					15,000	(15,000)	
<b>Total General Receipts, Transfers and Advances</b>					<b>706,217</b>	<b>208,486</b>	<b>914,703</b>
Change in Net Assets					124,466	336,042	460,508
Net Assets Beginning of Year					588,200	1,237,874	1,826,074
Net Assets End of Year					<b>\$712,666</b>	<b>\$1,573,916</b>	<b>\$2,286,582</b>

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, 2006*

	<u>General</u>	<u>Income Tax</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash	<u>\$217,343</u>	<u>\$114,523</u>	<u>\$223,497</u>	<u>\$157,303</u>	<u>\$712,666</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	10,267	830	22,250	7,410	40,757
Unreserved:					
Undesignated, Reported in:					
General Fund	181,243				181,243
Special Revenue Funds		113,694		140,957	254,651
Debt Service Fund				9,768	9,768
Capital Projects Funds			226,247		226,247
<b>Total Fund Balances</b>	<u>\$191,510</u>	<u>\$114,524</u>	<u>\$248,497</u>	<u>\$158,135</u>	<u>\$712,666</u>

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, 2006*

	General	Income Tax	Pemanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$129,014			\$11,195	\$140,209
Municipal Income Taxes		\$390,265			390,265
Intergovernmental	40,899			103,424	144,323
Special Assessments			\$5,465	112,715	118,180
Fines, Licenses and Permits	18,331			165	18,496
Earnings on Investments	94,014			9,144	103,158
Miscellaneous	7,775		2,833	549	11,157
<b>Total Receipts</b>	<b>290,033</b>	<b>390,265</b>	<b>8,298</b>	<b>237,192</b>	<b>925,788</b>
<b>Disbursements</b>					
Current:					
Security of Persons and Property	195,323				195,323
Public Health Services	1,411				1,411
Leisure Time Activities	2,456			16,516	18,972
Basic Utility Services	3,037				3,037
Transportation				74,182	74,182
General Government	158,006	29,793	47	1,393	189,239
Capital Outlay			47,439		47,439
Debt Service:					
Principal Retirement			132,000	72,558	204,558
Interest and Fiscal Charges			4,684	35,572	40,256
<b>Total Disbursements</b>	<b>360,233</b>	<b>29,793</b>	<b>184,170</b>	<b>200,221</b>	<b>774,417</b>
Excess of Receipts Over (Under) Disbursements	(70,200)	360,472	(175,872)	36,971	151,371
Other Financing Sources (Uses)					
Sale of Notes			132,000		132,000
Transfers In	231,000		49,000		280,000
Transfers Out	(98,421)	(330,000)			(428,421)
Advances In	15,000				15,000
Other Financing Sources				3,005	3,005
Other Financing Uses	(2,500)	(4,193)		(21,796)	(28,489)
<b>Total Other Financing Sources (Uses)</b>	<b>145,079</b>	<b>(334,193)</b>	<b>181,000</b>	<b>(18,791)</b>	<b>(26,905)</b>
Net Change in Fund Balances	74,879	26,279	5,128	18,180	124,466
Fund Balances Beginning of Year	116,631	88,245	243,369	139,955	588,200
Fund Balances End of Year	<u>\$191,510</u>	<u>\$114,524</u>	<u>\$248,497</u>	<u>\$158,135</u>	<u>\$712,666</u>

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, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$118,577	\$118,577	\$129,014	\$10,437
Intergovernmental	39,560	39,560	40,899	1,339
Fines, Licenses and Permits	5,875	5,875	18,331	12,456
Earnings on Investments	50,866	50,866	94,014	43,148
Miscellaneous			7,775	7,775
<i>Total receipts</i>	<u>214,878</u>	<u>214,878</u>	<u>290,033</u>	<u>75,155</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	213,540	218,618	200,629	17,989
Public Health Services	1,400	1,411	1,411	
Leisure Time Activities	2,456	2,456	2,456	
Basic Utility Services	5,000	3,975	3,117	858
General Government	167,045	173,943	162,887	11,056
<i>Total Disbursements</i>	<u>389,441</u>	<u>400,403</u>	<u>370,500</u>	<u>29,903</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(174,563)</u>	<u>(185,525)</u>	<u>(80,467)</u>	<u>105,058</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	231,000	231,000	231,000	
Transfers Out	(95,000)	(109,421)	(98,421)	11,000
Advances In	15,000	15,000	15,000	
Other Financing Uses	(2,000)	(2,547)	(2,500)	47
<i>Total Other Financing Sources</i>	<u>149,000</u>	<u>134,032</u>	<u>145,079</u>	<u>11,047</u>
<i>Net Change in Fund Balance</i>	<u>(25,563)</u>	<u>(51,493)</u>	<u>64,612</u>	<u>116,105</u>
<i>Fund Balance Beginning of Year</i>	109,021	109,021	109,021	
Prior Year Encumbrances Appropriated	7,610	7,610	7,610	
<i>Fund Balance End of Year</i>	<u>\$91,068</u>	<u>\$65,138</u>	<u>\$181,243</u>	<u>\$116,105</u>

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$345,000	\$345,000	\$390,265	\$45,265
<b>Disbursements</b>				
Current:				
General Government	34,720	34,720	30,623	4,097
<i>Excess of Receipts Over Disbursements</i>	310,280	310,280	359,642	49,362
<b>Other Financing Sources Uses</b>				
Transfers Out	(330,000)	(330,000)	(330,000)	
Other Financing Uses	(10,000)	(10,000)	(4,193)	5,807
<i>Total Other Financing Uses</i>	(340,000)	(340,000)	(334,193)	5,807
<i>Net Change in Fund Balance</i>	(29,720)	(29,720)	25,449	55,169
<i>Fund Balance Beginning of Year</i>	86,840	86,840	86,840	
Prior Year Encumbrances Appropriated	1,405	1,405	1,405	
<i>Fund Balance End of Year</i>	\$58,525	\$58,525	\$113,694	\$55,169

See accompanying notes to the basic financial statements

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

*Statement of Fund Net Assets - Cash Basis  
Proprietary Funds  
December 31, 2006*

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Water Capital Improvement</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets						
Cash	<u>\$208,566</u>	<u>\$183,874</u>	<u>\$725,474</u>	<u>\$264,269</u>	<u>\$191,733</u>	<u>\$1,573,916</u>
Net Assets						
Unrestricted	<u>\$208,566</u>	<u>\$183,874</u>	<u>\$725,474</u>	<u>\$264,269</u>	<u>\$191,733</u>	<u>\$1,573,916</u>

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, 2006*

	Water Operating	Sewer Operating	Electric Operating	Water Capital Improvement	Other Enterprise Funds	Total Enterprise
<b>Operating Receipts</b>						
Charges for Services	\$206,813	\$176,377	\$1,651,458		\$38,302	\$2,072,950
<b>Operating Disbursements</b>						
Personal Services	63,276	55,423	68,140		22,519	209,358
Employee Fringe Benefits	25,572	24,488	29,228		4,268	83,556
Contractual Services	25,728	21,442	1,082,057	\$14,311	36,165	1,179,703
Supplies and Materials	37,075	14,805	10,862		10,262	73,004
Other	88	165	103		4,000	4,356
<i>Total Operating Disbursements</i>	<u>151,739</u>	<u>116,323</u>	<u>1,190,390</u>	<u>14,311</u>	<u>77,214</u>	<u>1,549,977</u>
<i>Operating Income (Loss)</i>	<u>55,074</u>	<u>60,054</u>	<u>461,068</u>	<u>(14,311)</u>	<u>(38,912)</u>	<u>522,973</u>
<b>Non-Operating Receipts (Disbursements)</b>						
Intergovernmental						
Special Assessments					3,826	3,826
Other Debt Proceeds		68,220			38,015	106,235
Miscellaneous Receipts		71,567				71,567
Capital Outlay	916				2,582	3,498
Principal Payments	(25,975)	(80,193)	(40,078)	(26,421)	(106,009)	(278,676)
Interest and Fiscal Charges		(22,397)	(37,911)			(60,308)
Other Financing Uses		(9,340)	(157,084)			(166,424)
					(70)	(70)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(25,059)</u>	<u>27,857</u>	<u>(235,073)</u>	<u>(26,421)</u>	<u>(61,656)</u>	<u>(320,352)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>30,015</u>	<u>87,911</u>	<u>225,995</u>	<u>(40,732)</u>	<u>(100,568)</u>	<u>202,621</u>
Transfers In						
Advances In			73,421	25,000	50,000	148,421
Advances Out			20,000			20,000
		(35,000)				(35,000)
<i>Change in Net Assets</i>	<u>30,015</u>	<u>52,911</u>	<u>319,416</u>	<u>(15,732)</u>	<u>(50,568)</u>	<u>336,042</u>
<i>Net Assets Beginning of Year</i>	<u>178,551</u>	<u>130,963</u>	<u>406,058</u>	<u>280,001</u>	<u>242,301</u>	<u>1,237,874</u>
<i>Net Assets End of Year</i>	<u>\$208,566</u>	<u>\$183,874</u>	<u>\$725,474</u>	<u>\$264,269</u>	<u>\$191,733</u>	<u>\$1,573,916</u>

See accompanying notes to the basic financial statements

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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, and 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 8, 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.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

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:

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

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

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.

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.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

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

**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.

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 Fiscal Officer. 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 2006, 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 2006 was \$94,014 which includes \$66,369 assigned from other 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.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

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

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.

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 9 and 10, 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 City's roads and bridges. 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. Inter-fund Transactions

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

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

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

Exchange transactions between funds are reported as a Transfer-in to the receiving fund and as a Transfer-out in the disbursing fund. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as Other Financing Receipts/ (Disbursements) in governmental funds and after Non-operating Receipts/Disbursements in proprietary funds. Repayments or loans from one fund to another fund are not presented in the financial statements.

**NOTE 3– 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 is 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 \$10,267 for the general fund and \$830 for the income tax fund.

**NOTE 4– DEPOSITS**

Monies held by the Village are classified by State statute.

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.

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 withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit 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;
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;

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 4- DEPOSITS – (CONTINUED)**

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 30 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, \$2,027,084 of the Village's bank balance of \$2,327,084 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 5- 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. 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.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 6- PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied on assessed values as of January 1, 2005, 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.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004. 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 on the true value as of December 31, 2004. Tangible personal property is currently assessed at 18.75 percent of true value for the return year 2006. Amounts paid by multi-county taxpayers are due April 30. 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, 2006, was \$2.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$21,663,010
Agriculture	175,460
Commercial/Industrial	4,310,950
Public Utility	7,980
Tangible Personal Property	
General Personal	3,198,109
Public Utility	238,010
Total Assessed Value	\$29,593,519

**NOTE 7- INTERFUND RECEIVABLES/PAYABLES**

Interfund balances at December 31, 2006, consisted of \$105,000 due to the General 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 is being paid back to the General Fund in increments of \$15,000 per year from the Sewer Fund.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 8- RISK MANAGEMENT**

**Risk Pool Membership**

The Government 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.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

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, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Assets	\$2,331,284	\$ 2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>

**NOTE 9 DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three pension plans as follows:

- 1.) The Traditional Plan is a cost sharing, multiple-employer defined benefit pension plan.
- 2.) The Member-Directed Plan is a defined contribution plan in which the members invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- 3.) The Combined Plan is a cost sharing, multiple-employer defined benefit plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Plan 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) 222-6705 or (800) 222-7377 or [www.opers.org](http://www.opers.org).

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

**NOTE 9 DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006, 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, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Village paid two percent of the employees obligated share of their contribution. The 2006 employer contribution rate for state employers was 13.7% of covered payroll.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$54,476, \$49,223, and \$55,860 respectively. The full amount has been contributed for 2006, 2005, and 2004.

**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](http://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, 2006, 2005, and 2004, were \$14,404, \$17,012, and \$14,629. The full amount has been contributed for 2006, 2005, and 2004.

**NOTE 10 – POST-EMPLOYMENT BENEFITS**

**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. 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 statute. 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.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

**NOTE 10 – POST-EMPLOYMENT BENEFITS – (CONTINUED)**

Benefits are advance-funded using the individual entry age 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 costs 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 \$17,867. 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.

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 \$5,725 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.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 11 – NOTES PAYABLE**

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

	2006 Interest Rate	Balance 1/1/06	Additions	Reductions	Balance 12/31/06
Union Bank Note	3.50%	\$132,000		(\$132,000)	
Union Bank Note	4.30%		\$132,000		\$132,000
<b>Total</b>		<b>\$132,000</b>	<b>\$132,000</b>	<b>(\$132,000)</b>	<b>\$132,000</b>

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

**NOTE 12 – DEBT**

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

	Interest Rate	Balance 1/1/06	Reductions	Balance 12/31/06	Due within One year
Business-type Activities					
1999 OWDA Loan (Original Amount \$2,000,525)	3.12%	\$1,462,522	\$92,806	\$1,369,716	\$47,492
2005 OPWC Loan (Original Amount \$42,976)	0.00%	40,827	2,149	38,678	1,074
2004 JV5 Certificates (Original Amount \$1,074,459)	Variable	1,037,100	37,911	999,189	39,381
<b>Total Business-type Activities</b>		<b>\$2,540,449</b>	<b>\$132,866</b>	<b>\$2,407,583</b>	<b>\$87,947</b>

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.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 12 – DEBT – (CONTINUED)**

The Village has obtained an Ohio Water Development Pre-Construction Loan in the amount of \$253,220. As of December 31, 2006, the Village has drawn down \$72,982 towards the engineering cost to date. This loan is repayable over a 5 year period of time if the Village does not proceed with the sewer line project, but provided the Village proceeds with the project the amount used will be rolled into the Construction Loan. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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:

Year	JV5 Bond		OWDA Loan		OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2007	\$39,381	\$44,453	\$47,492	\$21,368	\$1,074
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	235,782	179,339	106,680	31,039	2,149
2012-2016	301,631	112,803	585,873	102,720	10,745
2017-2021	299,060	30,115	328,752	15,544	10,745
2022-2025					7,518
Totals	<u>\$999,189</u>	<u>\$494,443</u>	<u>\$1,369,716</u>	<u>\$282,907</u>	<u>\$38,678</u>

**NOTE 13 – INTERFUND TRANSFERS**

During 2006, the following transfers were made:

Transfers from the General Fund to:

Electric Operating Fund	\$73,421
Swimming Pool Fund	25,000

Total Transfers from the General Fund	<u>\$98,421</u>
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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	<u>\$330,000</u>
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**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 13 – INTERFUND TRANSFERS – (CONTINUED)**

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.

**NOTE 14 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

There are several outstanding construction commitments. A designing contract is outstanding with Feller & Finch for the North Water Plant Construction. The Village received an Issue II Ohio Public Works Matching Grant for \$175,000. The total project is for \$350,000. The date of completion is projected for 2008.

Secondly, the Village is contracted with Feller & Finch for the design stage of our new Sewer Plant. The Village has an OWDA Loan for the designing of the plant in the amount of \$250,000. The entire construction project is estimated to cost \$2,000,000.

**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 pending lawsuit. 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.

**VILLAGE OF PEMBERVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 16 – JOINT VENTURES – (CONTINUED)**

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 \$61,556 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](http://www.auditor.state.oh.us).

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	Municipality	Percent Kw Ownership	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	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.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

**NOTE 16 – JOINT VENTURES – (CONTINUED)**

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.

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, 2006. 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).

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS**

**Pemberville Union Cemetery Board:** The Board is comprised of 3 members alternating between the Freedom Township Trustees and Village Council. In 2006, 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 the Village of Pemberville, Wood County, (the Village) as of and for the year ended December 31, 2006, 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated October 10, 2007.

#### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain noncompliance matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 10, 2007.

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

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 10, 2007

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

**Material Weakness**

**Pool Receipts**

The procedures used for the collection of pool receipts at the swimming pool did not provide adequate documentation to substantiate money collected. This weakness can result in asset loss which would remain undetected. In order to improve controls over pool receipts, we recommend the following:

- Village Council approves all fees charged at the pool, including the Five Miler race.
- A cash register be used to record admission to the pool.
- Prenumbered pool passes be purchased and issued for summer memberships. Further, since passes have various rates, we recommend a list of each pass number and the type of pass issued be prepared and retained.
- Cash register tape be printed and reconciled with the cash collected for each deposit made. The cash register tape should be attached to the duplicate deposit ticket taken to the Fiscal officer.

**Officials Response:** The pool manager and fiscal officer developed procedures to strengthen receipt documentation by placing a cash register at the pool with a procedure for reconciling the drawer with the deposit on a daily basis.

VILLAGE OF PEMBERVILLE  
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	A contribution was made to the swimming pool board to defray the cost of operations from the permanent improvement fund that should have been made from the general fund.	Yes	



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