



Mary Taylor, CPA
Auditor of State

VILLAGE OF PEMBERVILLE
WOOD COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pemberville, Wood County, (the Village), as of and for the year ended December 31, 2008, 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 Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our 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, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Income Tax funds thereof 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 May 14, 2009, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 14, 2009

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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, 2008 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.

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 2008, 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 Village 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, 2008
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, gas taxes and 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, storm 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 two categories: governmental and proprietary.

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Cash	\$727,704	\$770,460	\$1,990,948	\$1,988,272	\$2,718,652	\$2,758,732
Net Assets						
Restricted for:						
Debt Service	10,161	6,380			10,161	6,380
Capital Projects	78,416	172,429			78,416	172,429
Other Purposes	342,586	313,988			342,586	313,988
Unrestricted	296,541	277,663	1,990,948	1,988,272	2,287,489	2,265,935
Total Net Assets	\$727,704	\$770,460	\$1,990,948	\$1,988,272	\$2,718,652	\$2,758,732

The net assets of governmental activities decreased 5 percent during 2008 which was not significant compared to the previous year.

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities, business-type activities and total primary Village.

**(Table 2)
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 6,294	\$ 6,846	\$1,888,330	\$1,960,089	\$1,894,624	\$1,966,935
Operating Grants and Contributions	78,794	85,295			78,794	85,295
Capital Grants and Contributions	152,380	175,203	252,011	123,972	404,391	299,175
Total Program Receipts	237,468	267,344	2,140,341	2,084,061	2,377,809	2,351,405
General Receipts:						
Property and Other Local Taxes	44,181	46,250			44,181	46,250
Income Taxes	482,765	460,171			482,765	460,171
Other Taxes	70,747	69,833			70,747	69,833
Grants and Entitlements Not Restricted	59,471	67,237			59,471	67,237
to Specific Programs						
Sale of Capital Assets		8,000				8,000
Other Debt Proceeds			2,772	42,742	2,772	42,742
Cable Franchise Fees	6,487	6,066			6,487	6,066
Earning on Investments	82,477	114,589			82,477	114,589
Miscellaneous	9,821	11,277	17,494	12,952	27,315	24,229
Total General Receipts	755,949	783,423	20,266	55,694	776,215	839,117
Total Receipts	993,417	1,050,767	2,160,607	2,139,755	3,154,024	3,190,522

(Continued)

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Disbursements:						
Security of Persons and Property:	247,269	198,772			247,269	198,772
Public Health Services	4,062	4,014			4,062	4,014
Leisure Time Activities	4,214	11,360			4,214	11,360
Basic Utilities	4,120	3,546			4,120	3,546
Transportation	73,395	176,516			73,395	176,516
General Government	258,378	201,675			258,378	201,675
Capital Outlay	119,413	108,515			119,413	108,515
Principal Retirement	177,156	106,822			177,156	106,822
Interest and Fiscal Charges	34,832	47,054			34,832	47,054
Other	7,920	7,910			7,920	7,910
Water Operating			252,766	207,368	252,766	207,368
Sewer Operating			196,431	229,860	196,431	229,860
Storm Sewer Operating			17,611	12,919	17,611	12,919
Electric Operating			1,379,343	1,325,835	1,379,343	1,325,835
Swimming Pool			47,717	46,215	47,717	46,215
Water Replacement						
Water Capital Improvement			224,990	14,222	224,990	14,222
Enterprise Improvement			141,187	12,828	141,187	12,828
Utility Deposit			3,300	2,945	3,300	2,945
Total Disbursements	930,759	866,184	2,263,345	1,852,192	3,194,104	2,718,376
Excess (Deficiency) Before Transfers	62,658	184,583	(102,738)	287,563	(40,080)	472,146
Advances	15,000	15,000	(15,000)	(15,000)		
Transfer	(120,414)	(141,788)	120,414	141,788		
Change in Net Assets	(42,756)	57,795	2,676	414,351	(40,080)	472,146
Net Assets, January 1	770,460	712,665	1,988,272	1,573,921	2,758,732	2,286,586
Net Assets, December 31	<u>\$727,704</u>	<u>\$ 770,460</u>	<u>\$1,890,948</u>	<u>\$1,988,272</u>	<u>\$2,718,652</u>	<u>\$2,758,732</u>

Program receipts represent only 24% percent of total governmental activity receipts and are primarily comprised of intergovernmental receipts and fines licenses and permits that were issued.

General receipts represent 76% percent of the Village's total governmental activity receipts, and of this amount, over 64% percent are local income taxes. Property taxes, income tax, earnings from investments, 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 Village activities. These include the costs of police protection services, general government services and, maintenance of village streets, sidewalks, lands and buildings, 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, leisure time activities are the costs of maintaining the parks and playing fields and transportation is the cost of maintaining the roads.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Due to declining market conditions during 2008, interest on investments had decreased by \$32,112 or 28%. The Village purchased a new police cruiser at a cost of \$32,190. This caused an increase in the security of persons and property disbursements. Capital outlay disbursements were higher in 2008 compared to 2007. Renovations and repairs amounting to \$55,209 for the Village swimming pool contributed to this increase. The Village also received a grant of \$34,473 to make the Town Hall restroom facility ADA compliant.

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 general government, which account for 27%, and 28% 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 service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Security of Persons and Property	\$247,269	\$241,547	\$198,772	\$192,402
Public Health Services	4,062	4,062	4,014	4,014
Leisure Time Activities	4,214	4,214	11,360	11,360
Basic Utilities	4,120	(113,510)	3,546	(441)
Transportation	73,395	(5,399)	176,516	91,221
General Government	258,378	223,056	201,675	201,199
Capital Outlay	119,413	119,413	108,515	43,271
Principal Retirement	177,156	177,156	106,822	32,000
Interest and Fiscal Charges	34,832	34,832	47,054	15,904
Other	7,920	7,920	7,910	7,910
Total Expenses	\$930,759	\$693,291	\$866,184	\$598,840

The dependence upon property and income tax receipts is apparent as over 74% percent of governmental activities are supported through these general receipts.

Business-type Activities

The water operation of the Village reflects a decrease of 26% percent in net assets at the end of 2008. This decrease can be attributed to major upgrade to the North Water Plant which is partially financed with an Issue II –Ohio Public Works grant. This is a matching grant of \$175,000 with the total project costing \$350,000. The Village also purchased new software and hardware for the utility clerk.

The electric operating fund of the Village reflects a 16 percent increase in Net Assets. This was mainly due to conservative spending in anticipation of a large equipment purchase.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The Village's Funds

Total governmental funds had receipts of \$991,747 and disbursements of \$922,839. The greatest change within governmental funds occurred within the Permanent Improvement Fund. This fund balance decreased by \$94,013. This decrease was due to renovations and repairs amounting to \$55,209 for the Village swimming pool, \$12,068 for a large pavement project, \$9,700 for new copper gutters and \$5,900 for new roof and chimney on the Town Hall.

General Fund Budgeting Highlights

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

During 2008, the Village had only minor modifications to the General Fund budget.

General fund disbursements and other financing uses were budgeted at \$584,501 while actual disbursements and other financing uses were \$512,981.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2008, the Village's outstanding debt included \$1,175,258 Ohio Water Development Authority Loan for the 1998 Sewer Separation Project, \$878,472 for the JV5 Belleville Hydro Project, \$34,380 OPWC Joyce Ave. For further information regarding the Village's debt, refer to Note 12 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.

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 Stephanie Bowe, Fiscal Officer, 115 Main St., PO Box 109, Pemberville, OH 43450.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008**

	Governmental Activities	Business - Type Activities	Total
Assets			
Cash	\$727,704	\$1,990,948	\$2,718,652
	\$727,704	\$1,990,948	\$2,718,652
Net Assets			
Restricted for:			
Capital Projects	78,416		78,416
Debt Service	10,161		10,161
Other Purposes	342,586		342,586
Unrestricted	296,541	1,990,948	2,287,489
Total Net Assets	\$727,704	\$1,990,948	\$2,718,652

See accompanying notes to the basic financial statements.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	\$247,269	\$5,722			(\$241,547)		(\$241,547)
Public Health Services	4,062				(4,062)		(4,062)
Leisure Time Activities	4,214				(4,214)		(4,214)
Basic Utility Services	4,120			\$117,630	113,510		113,510
Transportation	73,395		\$78,794		5,399		5,399
General Government	258,378	\$572		34,750	(223,056)		(223,056)
Capital Outlay	119,413				(119,413)		(119,413)
Debt Service:							
Principal	177,156				(177,156)		(177,156)
Interest	34,832				(34,832)		(34,832)
Other	7,920				(7,920)		(7,920)
Total Governmental Activities	<u>930,759</u>	<u>6,294</u>	<u>78,794</u>	<u>152,380</u>	<u>(693,291)</u>		<u>(693,291)</u>
Business Type Activities							
Water Operating	252,766	198,197				(\$54,569)	(54,569)
Sewer Operating	196,431	155,237		67,665		26,471	26,471
Storm Sewer Operating	17,611	22,652				5,041	5,041
Electric Operating	1,379,343	1,466,993				87,650	87,650
Swimming Pool	47,717	41,851				(5,866)	(5,866)
Water Replacement				37,239		37,239	37,239
Water Capital Improvement	224,990					(224,990)	(224,990)
Enterprise Improvement	141,187			147,107		5,920	5,920
Utility Deposit	3,300	3,400				100	100
Total Business Type Activities	<u>2,263,345</u>	<u>1,888,330</u>		<u>252,011</u>		<u>(123,004)</u>	<u>(123,004)</u>
Total Primary Government	<u>\$3,194,104</u>	<u>\$1,894,624</u>	<u>\$78,794</u>	<u>\$404,391</u>	<u>(693,291)</u>	<u>(123,004)</u>	<u>(816,295)</u>
General Receipts							
Property Taxes					44,181		44,181
Municipal Income Taxes					482,765		482,765
Other Taxes					70,747		70,747
Grants and Entitlements not Restricted to Specific Programs					59,471		59,471
Other Debt Proceeds						2,772	2,772
Cable Franchise Fees					6,487		6,487
Earnings on Investments					82,477		82,477
Miscellaneous					9,821	17,494	27,315
Total General Receipts					<u>755,949</u>	<u>20,266</u>	<u>776,215</u>
Transfers					(120,414)	120,414	
Advances					15,000	(15,000)	
Total General Receipts, Transfers and Advances					<u>650,535</u>	<u>125,680</u>	<u>776,215</u>
Change in Net Assets					(42,756)	2,676	(40,080)
Net Assets Beginning of Year					<u>770,460</u>	<u>1,988,272</u>	<u>2,758,732</u>
Net Assets End of Year					<u>\$727,704</u>	<u>\$1,990,948</u>	<u>\$2,718,652</u>

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, 2008**

	<u>General</u>	<u>Income Tax</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$296,541	\$190,559	\$78,416	\$162,188	\$727,704
Fund Balances					
Reserved:					
Reserved for Encumbrances	2,051	2,200		1,890	6,141
Unreserved:					
Undesignated, Reported in:					
General Fund	294,490				294,490
Special Revenue Funds		188,359		151,164	339,523
Debt Service Fund				10,161	10,161
Capital Projects Funds			78,416	(1,027)	77,389
Total Fund Balances	<u>\$296,541</u>	<u>\$190,559</u>	<u>\$78,416</u>	<u>\$162,188</u>	<u>\$727,704</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, 2008**

	<u>General</u>	<u>Income Tax</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Property and Other Local Taxes	\$114,928				\$114,928
Municipal Income Taxes		\$482,765			482,765
Intergovernmental	55,466			\$112,160	167,626
Special Assessments			\$4,596	113,311	117,907
Charges for Services	125				125
Fines, Licenses and Permits	12,606			50	12,656
Earnings on Investments	82,477			5,112	87,589
Miscellaneous	7,536		170	445	8,151
Total Receipts	<u>273,138</u>	<u>482,765</u>	<u>4,766</u>	<u>231,078</u>	<u>991,747</u>
Disbursements					
Current:					
Security of Persons and Property	247,269				247,269
Public Health Services	4,062				4,062
Leisure Time Activities				4,214	4,214
Community Environment					
Basic Utility Services	4,120				4,120
Transportation				73,395	73,395
General Government	185,057	37,379	69	35,873	258,378
Capital Outlay		14,561	104,852		119,413
Debt Service:					
Principal Retirement			100,000	77,156	177,156
Interest and Fiscal Charges			3,858	30,974	34,832
Total Disbursements	<u>440,508</u>	<u>51,940</u>	<u>208,779</u>	<u>221,612</u>	<u>922,839</u>
Excess of Receipts Over (Under) Disbursements	<u>(167,370)</u>	<u>430,825</u>	<u>(204,013)</u>	<u>9,466</u>	<u>68,908</u>
Other Financing Sources (Uses)					
Transfers In	240,000		110,000		350,000
Transfers Out	(70,414)	(400,000)			(470,414)
Advances In	15,000				15,000
Other Financing Sources	1,670				1,670
Other Financing Uses	(8)	(7,912)			(7,920)
Total Other Financing Sources (Uses)	<u>186,248</u>	<u>(407,912)</u>	<u>110,000</u>		<u>(111,664)</u>
Net Change in Fund Balances	18,878	22,913	(94,013)	9,466	(42,756)
Fund Balances Beginning of Year	<u>277,663</u>	<u>167,646</u>	<u>172,429</u>	<u>152,722</u>	<u>770,460</u>
Fund Balances End of Year	<u>\$296,541</u>	<u>\$190,559</u>	<u>\$78,416</u>	<u>\$162,188</u>	<u>\$727,704</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, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$124,242	\$124,242	\$114,928	(\$9,314)
Intergovernmental	27,514	27,514	55,466	27,952
Charges for Services			125	125
Fines, Licenses and Permits	12,000	12,000	12,606	606
Earnings on Investments	90,000	90,000	82,477	(7,523)
Miscellaneous	4,000	4,000	7,536	3,536
Total receipts	<u>257,756</u>	<u>257,756</u>	<u>273,138</u>	<u>15,382</u>
Disbursements				
Current:				
Security of Persons and Property	249,924	253,268	247,577	5,691
Public Health Services	4,100	4,100	4,062	38
Basic Utility Services	4,005	5,999	4,120	1,879
General Government	218,952	217,372	186,800	30,572
Capital Outlay		5,000		5,000
Total Disbursements	<u>476,981</u>	<u>485,739</u>	<u>442,559</u>	<u>43,180</u>
Excess of Receipts Under Disbursements	<u>(219,225)</u>	<u>(227,983)</u>	<u>(169,421)</u>	<u>58,562</u>
Other Financing Sources (Uses)				
Transfers In	240,000	240,000	240,000	
Transfers Out	(96,000)	(96,000)	(70,414)	25,586
Advances In	15,000	15,000	15,000	
Other Financing Sources			1,670	1,670
Other Financing Uses	(2,500)	(2,762)	(8)	2,754
Total Other Financing Sources	<u>156,500</u>	<u>156,238</u>	<u>186,248</u>	<u>30,010</u>
Net Change in Fund Balance	(62,725)	(71,745)	16,827	88,572
Fund Balance Beginning of Year	273,832	273,832	273,832	
Prior Year Encumbrances Appropriated	<u>3,831</u>	<u>3,831</u>	<u>3,831</u>	
Fund Balance End of Year	<u>\$214,938</u>	<u>\$205,918</u>	<u>\$294,490</u>	<u>\$88,572</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, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Municipal Income Taxes	\$380,000	\$410,000	\$482,765	\$72,765
Disbursements				
Current:				
General Government	50,225	50,415	39,579	10,836
Capital Outlay	25,000	24,950	14,561	10,389
Total Disbursements	<u>75,225</u>	<u>75,365</u>	<u>54,140</u>	<u>21,225</u>
Excess of Receipts Over Disbursements	<u>304,775</u>	<u>334,635</u>	<u>428,625</u>	<u>93,990</u>
Other Financing Sources Uses				
Transfers Out	(400,000)	(400,000)	(400,000)	
Other Financing Uses	(10,000)	(10,000)	(7,912)	2,088
Total Other Financing Uses	<u>(410,000)</u>	<u>(410,000)</u>	<u>(407,912)</u>	<u>2,088</u>
Net Change in Fund Balance	(105,225)	(75,365)	20,713	96,078
Fund Balance Beginning of Year	<u>167,646</u>	<u>167,646</u>	<u>167,646</u>	
Fund Balance End of Year	<u>\$62,421</u>	<u>\$92,281</u>	<u>\$188,359</u>	<u>\$96,078</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets					
Cash	<u>\$151,628</u>	<u>\$234,626</u>	<u>\$1,187,488</u>	<u>\$417,206</u>	<u>\$1,990,948</u>
Net Assets					
Unrestricted	<u>\$151,628</u>	<u>\$234,626</u>	<u>\$1,187,488</u>	<u>\$417,206</u>	<u>\$1,990,948</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, 2008**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise</u>
Operating Receipts					
Charges for Services	\$198,197	\$155,237	\$1,466,993	\$67,903	\$1,888,330
Operating Disbursements					
Personal Services	77,665	61,092	74,301	23,867	236,925
Employee Fringe Benefits	32,091	26,618	29,376	4,233	92,318
Contractual Services	20,180	20,671	1,109,646	41,141	1,191,638
Supplies and Materials	59,741	21,079	14,302	16,636	111,758
Other				3,300	3,300
Total Operating Disbursements	<u>189,677</u>	<u>129,460</u>	<u>1,227,625</u>	<u>89,177</u>	<u>1,635,939</u>
Operating Income (Loss)	<u>8,520</u>	<u>25,777</u>	<u>239,368</u>	<u>(21,274)</u>	<u>252,391</u>
Non-Operating Receipts (Disbursements)					
Intergovernmental				147,107	147,107
Special Assessments		67,665		37,239	104,904
Other Debt Proceeds		2,772			2,772
Miscellaneous Receipts	828	7,327	9,319	20	17,494
Capital Outlay	(63,089)	(35,234)	(54,725)	(345,584)	(498,632)
Principal Payments		(23,727)	(41,127)		(64,854)
Interest and Fiscal Charges		(8,010)	(55,866)		(63,876)
Other Financing Uses				(44)	(44)
Total Non-Operating Receipts (Disbursements)	<u>(62,261)</u>	<u>10,793</u>	<u>(142,399)</u>	<u>(161,262)</u>	<u>(355,129)</u>
Income (Loss) before Transfers and Advances	<u>(53,741)</u>	<u>36,570</u>	<u>96,969</u>	<u>(182,536)</u>	<u>(102,738)</u>
Transfers In			70,414	50,000	120,414
Advances Out		(15,000)			(15,000)
Change in Net Assets	(53,741)	21,570	167,383	(132,536)	2,676
Net Assets Beginning of Year	<u>205,369</u>	<u>213,056</u>	<u>1,020,105</u>	<u>549,742</u>	<u>1,988,272</u>
Net Assets End of Year	<u>\$151,628</u>	<u>\$234,626</u>	<u>\$1,187,488</u>	<u>\$417,206</u>	<u>\$1,990,948</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, 2008**

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 votes only to break a tie.

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.

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, 2008
(Continued)**

1. REPORTING ENTITY (Continued)

1. 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 non-exchange 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.

2. 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. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating 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 non-operating.

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.

1. Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange 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, 2008
(Continued)**

1. REPORTING ENTITY (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.

2. 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, and Sewers 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.

C. Basis of Accounting

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

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

D. Budgetary Process

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

1. REPORTING ENTITY (Continued)

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the 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 2008, 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 2008 were \$82,477 which included \$80,003 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.

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. Inter-fund Receivables/Payables

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

1. REPORTING ENTITY (Continued)

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 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.

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 inter-fund transfers. Inter-fund 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.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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 \$2,051 for the general fund and \$2,200 for the income tax fund.

4. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,826,970 of the Village's bank balance of \$2,751,970 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.

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.

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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied on assessed values as of January 1, 2007, 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 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006. Assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied on the true value as of December 31, 2006. Tangible personal property is currently assessed at 18.75 percent of true value for the return year 2008. 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, 2008, was \$1.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential	\$21,938,000
Agriculture	174,650
Commercial/Industrial	4,317,240
Public Utility	9,630
Tangible Personal Property	
General Personal	682,717
Public Utility	215,680
Total Assessed Value	<u><u>\$27,337,917</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

7. INTERFUND RECEIVABLES/PAYABLES

Inter-fund balances at December 31, 2008, consisted of \$15,000 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.

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.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

8. RISK MANAGEMENT (Continued)

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 to generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005 (the latest available information).

	<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>

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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, 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, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. The Village paid two percent of the employees obligated share of their contribution. The 2008 employer contribution rate for state employers was 14% of covered payroll.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$62,688, \$66,479, and \$61,184 respectively. The full amount has been contributed for 2008, 2007, and 2006.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The Village pays two percent of the obligated plan members' contribution. The Village's required contributions to the Fund for the years ended December 31, 2008, 2007, and 2006, were \$17,235, \$16,095, and \$15,881. The full amount has been contributed for 2008, 2007, and 2006.

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 2008 local government employer contribution rate was 14 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care.

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, 2007, 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 5.00 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.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

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, 2007, actuarial valuation was \$358,804. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$22,389. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12 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, 2008, 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 of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2008. 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 2008 that were used to fund postemployment benefits were \$6,850 for police. The OP&F's total health care expense for the year ended December 31, 2007; (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2007, was 14,120 for police.

11. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2008, follows:

	<u>2008 Interest Rate</u>	<u>Balance 1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/08</u>
Union Bank Note	4.30%	\$100,000		(\$100,000)	

An interest bearing note was purchased from The Union Bank Company.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

12. DEBT

The Village's long-term debt activity for the year ended December 31, 2008, was as follows:

	<u>Interest Rate</u>	<u>Balance 1/1/08</u>	<u>Reductions</u>	<u>Balance 12/31/08</u>	<u>Due within One year</u>
Business-type Activities					
1999 OWDA Loan (Original Amount \$2,000,525)	3.12%	\$1,273,992	\$98,734	\$1,175,258	\$50,525
2005 OPWC Loan (Original Amount \$42,976)	0.00%	36,529	2,149	34,380	1,074
2004 JV5 Certificates (Original Amount \$1,074,459)	Variable	919,599	41,127	878,472	35,000
Total Business-type Activities		<u>\$2,230,120</u>	<u>\$142,010</u>	<u>\$2,088,110</u>	<u>\$86,599</u>

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 financed was \$42,976 and it will be repaid in semiannual installments over 20 years.

The Village has obtained an Ohio Water Development Pre-Construction Loan in the amount of \$262,264. As of December 31, 2008, the Village has drawn down \$117,081 (of which \$2,772 was drawn during 2008) 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 plant 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
2009	35,000	41,916	50,525	\$21,368	1,074
2010	43,034	40,866	103,427	40,501	2,149
2011	44,428	39,461	106,679	37,444	2,149
2012	46,542	37,227	110,034	34,291	2,149
2013	48,832	34,882	113,494	31,039	2,149
2014-2018	285,012	134,709	623,296	102,720	10,745
2019-2023	362,236	55,545	67,803	15,544	10,745
2024-2025	13,388				3,220
Totals	<u>\$878,472</u>	<u>\$384,606</u>	<u>\$1,175,258</u>	<u>\$282,907</u>	<u>\$34,380</u>

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

13. INTERFUND TRANSFERS

During 2008, the following transfers were made:

Transfers from the General Fund to:	
Electric Operating Fund	\$70,414
Transfers from the Income Tax Fund To:	
General Fund	\$240,000
Permanent Improvement	110,000
Water Capital Improvement	25,000
Sewer Capital Improvement	25,000
Total Transfers from the Income Tax Fund	<u>\$400,000</u>

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 Village's income tax collections.

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 \$2,500,000.

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.

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.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

16. JOINT VENTURES (Continued)

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$61,556 at December 31, 2008. 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.

The thirty-six participating subdivisions in the Joint Venture – Omega JV2 and their respective ownership shares at December 31, 2008 are:

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

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.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

16. JOINT VENTURES (Continued)

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

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

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, 2008, 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 2007 through 2024.

The Village's net investment to date in OMEGA JV5 was \$99,389 at December 31, 2008. 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.

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 2008, two members of Council were on the Cemetery Board. This Board makes decision on cost of lot purchases, maintenance of the cemetery and regulations.

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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, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 14, 2009, 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.

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.

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.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated May 14, 2009.

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 did note certain noncompliance that we reported to the Village's management in a separate letter dated May 14, 2009.

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

May 14, 2009



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
JUNE 25, 2009