



Dave Yost • Auditor of State

VILLAGE OF PEMBERVILLE
WOOD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Pemberville, Wood County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Pemberville, Wood County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 24, 2015

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$82,583				\$82,583
Municipal Income Tax		\$346,581			346,581
Intergovernmental	23,208	80,940			104,148
Special Assessments			\$108,624	\$720	109,344
Charges for Services	280	525			805
Fines, Licenses and Permits	14,516	75			14,591
Earnings on Investments	1,605	107			1,712
Miscellaneous	2,084	35			2,119
<i>Total Cash Receipts</i>	<u>124,276</u>	<u>428,263</u>	<u>108,624</u>	<u>720</u>	<u>661,883</u>
Cash Disbursements					
Current:					
Security of Persons and Property	141,951				141,951
Public Health Services	3,626				3,626
Leisure Time Activities		6,643			6,643
Basic Utility Services	105				105
Transportation		58,348			58,348
General Government	174,470	28,336	1,203		204,009
Capital Outlay				21,267	21,267
Debt Service:					
Principal Retirement			92,775		92,775
Interest and Fiscal Charges			15,356		15,356
<i>Total Cash Disbursements</i>	<u>320,152</u>	<u>93,327</u>	<u>109,334</u>	<u>21,267</u>	<u>544,080</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(195,876)</u>	<u>334,936</u>	<u>(710)</u>	<u>(20,547)</u>	<u>117,803</u>
Other Financing Receipts (Disbursements)					
Transfers In	180,000			70,000	250,000
Transfers Out		(300,000)			(300,000)
Other Financing Sources	1,530				1,530
Other Financing Uses	(41)	(2,237)			(2,278)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>181,489</u>	<u>(302,237)</u>		<u>70,000</u>	<u>(50,748)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(14,387)</u>	<u>32,699</u>	<u>(710)</u>	<u>49,453</u>	<u>67,055</u>
<i>Fund Cash Balances, January 1</i>	<u>531,286</u>	<u>440,246</u>	<u>6,881</u>	<u>431,775</u>	<u>1,410,188</u>
Fund Cash Balances, December 31					
Restricted		255,425	6,171	373	261,969
Committed		217,520		480,855	698,375
Assigned	190,919				190,919
Unassigned	325,980				325,980
<i>Fund Cash Balances, December 31</i>	<u>\$516,899</u>	<u>\$472,945</u>	<u>\$6,171</u>	<u>\$481,228</u>	<u>\$1,477,243</u>

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,844,661
Miscellaneous	26,099
	<u>1,870,760</u>
<i>Total Operating Cash Receipts</i>	<i>1,870,760</i>
Operating Cash Disbursements	
Personal Services	269,268
Employee Fringe Benefits	89,259
Contractual Services	1,261,347
Supplies and Materials	123,292
Other	6,556
	<u>1,749,722</u>
<i>Total Operating Cash Disbursements</i>	<i>1,749,722</i>
<i>Operating Income</i>	<i>121,038</i>
Non-Operating Receipts (Disbursements)	
Special Assessments	162,079
Miscellaneous Receipts	10,609
Capital Outlay	(107,181)
Principal Retirement	(141,471)
Interest and Other Fiscal Charges	(67,941)
	<u>(143,905)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(143,905)</i>
<i>Loss before Transfers</i>	<i>(22,867)</i>
Transfers In	50,000
	<u>50,000</u>
<i>Net Change in Fund Cash Balances</i>	<i>27,133</i>
<i>Fund Cash Balances, January 1</i>	<i>2,414,167</i>
	<u>2,414,167</u>
<i>Fund Cash Balances, December 31</i>	<i>\$2,441,300</i>
	<u>\$2,441,300</u>

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$79,679				\$79,679
Municipal Income Tax		\$336,937			336,937
Intergovernmental	22,916	75,681			98,597
Special Assessments			\$106,843	\$1,421	108,264
Charges for Services	210	420			630
Fines, Licenses and Permits	17,338	75			17,413
Earnings on Investments	4,531	292			4,823
Miscellaneous	15,288	883			16,171
<i>Total Cash Receipts</i>	<u>139,962</u>	<u>414,288</u>	<u>106,843</u>	<u>1,421</u>	<u>662,514</u>
Cash Disbursements					
Current:					
Security of Persons and Property	193,104				193,104
Public Health Services	3,152				3,152
Leisure Time Activities		967			967
Basic Utility Services	77				77
Transportation		50,282			50,282
General Government	164,578	27,570	1,146		193,294
Capital Outlay		230		8,654	8,884
Debt Service:					
Principal Retirement			89,968		89,968
Interest and Fiscal Charges			18,162		18,162
<i>Total Cash Disbursements</i>	<u>360,911</u>	<u>79,049</u>	<u>109,276</u>	<u>8,654</u>	<u>557,890</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(220,949)</u>	<u>335,239</u>	<u>(2,433)</u>	<u>(7,233)</u>	<u>104,624</u>
Other Financing Receipts (Disbursements)					
Transfers In	180,000			70,000	250,000
Transfers Out	(12,000)	(300,000)			(312,000)
Advances In	15,000				15,000
Other Financing Sources	1,391				1,391
Other Financing Uses		(3,769)			(3,769)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>184,391</u>	<u>(303,769)</u>		<u>70,000</u>	<u>(49,378)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(36,558)</u>	<u>31,470</u>	<u>(2,433)</u>	<u>62,767</u>	<u>55,246</u>
<i>Fund Cash Balances, January 1</i>	<u>567,844</u>	<u>408,776</u>	<u>9,314</u>	<u>369,008</u>	<u>1,354,942</u>
Fund Cash Balances, December 31					
Restricted		238,338	6,881	373	245,592
Committed		201,908		431,402	633,310
Assigned	143,992				143,992
Unassigned	387,294				387,294
<i>Fund Cash Balances, December 31</i>	<u>\$531,286</u>	<u>\$440,246</u>	<u>\$6,881</u>	<u>\$431,775</u>	<u>\$1,410,188</u>

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,655,070
Miscellaneous	22,012
	1,677,082
<i>Total Operating Cash Receipts</i>	<i>1,677,082</i>
Operating Cash Disbursements	
Personal Services	292,011
Employee Fringe Benefits	95,379
Contractual Services	1,011,118
Supplies and Materials	104,418
Other	5,805
	1,508,731
<i>Total Operating Cash Disbursements</i>	<i>1,508,731</i>
<i>Operating Income</i>	<i>168,351</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	11,784
Special Assessments	170,852
Other Debt Proceeds	47,380
Miscellaneous Receipts	13,602
Capital Outlay	(160,125)
Principal Retirement	(138,908)
Interest and Other Fiscal Charges	(70,453)
	(125,868)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(125,868)</i>
<i>Income before Transfers and Advances</i>	<i>42,483</i>
Transfers In	62,000
Advances Out	(15,000)
	89,483
<i>Net Change in Fund Cash Balances</i>	<i>89,483</i>
<i>Fund Cash Balances, January 1</i>	<i>2,324,684</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,414,167</i>

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Pemberville, Wood County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, electrical power, park operations, and police services. The Village contracts with Pemberville-Freedom Township Fire Department to receive fire protection services.

The Village participates in the Ohio Plan Risk Management public entity risk pool, two joint ventures, one long term purchase commitment, and one jointly governed organization. Notes 8-11 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc. (OPRM) is available to public entities in Ohio. OPRM provides property and casualty coverage for its members.

Jointly Governed Organizations:

Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

Jointly Governed Organization:

Pemberville Union Cemetery

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

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

5. Enterprise Funds

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

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover electric service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors,

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

	2014	2013
Demand deposits	\$1,016,585	\$1,671,382
Certificates of deposit	1,650,000	950,000
Other time deposits (savings and ICS accounts)	1,251,958	1,202,973
Total deposits	\$3,918,543	\$3,824,355

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$300,689	\$305,806	\$5,117
Special Revenue	374,938	428,263	53,325
Debt Service	120,550	108,624	(11,926)
Capital Projects	70,000	70,720	720
Enterprise	1,741,000	2,093,448	352,448
Total	\$2,607,177	\$3,006,861	\$399,684

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$444,681	\$322,700	\$121,981
Special Revenue	500,318	396,027	104,291
Debt Service	109,500	109,334	166
Capital Projects	153,310	21,267	132,043
Enterprise	2,747,548	2,138,984	608,564
Total	\$3,955,357	\$2,988,312	\$967,045

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$309,083	\$336,353	\$27,270
Special Revenue	369,270	414,288	45,018
Debt Service	110,000	106,843	(3,157)
Capital Projects	70,000	71,421	1,421
Enterprise	1,774,631	1,982,700	208,069
Total	\$2,632,984	\$2,911,605	\$278,621

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$445,870	\$378,567	\$67,303
Special Revenue	453,350	384,386	68,964
Debt Service	109,532	109,276	256
Capital Projects	129,423	21,914	107,509
Enterprise	2,743,164	2,021,005	722,159
Total	\$3,881,339	\$2,915,148	\$966,191

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village, as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CT09G	\$21,488	0%
Ohio Water Development Authority Loan #2465	514,131	3.12%
Ohio Water Development Authority Loan #5369	1,041,658	2.75%
Total	\$1,577,277	

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

The Ohio Public Works Commission (OPWC) administered financial assistance from the Ohio Small Government Capital Improvements Commission (Loan #CT09G) 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 Ohio Water Development Authority (OWDA) loan #2465 relates to a sewer system expansion project the Ohio Environmental Protection Agency mandated. The loan will be repaid in semiannual installments, including interest, over 20 years. Sewer receipts and assessments collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5369 relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,238,363 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$40,456, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	OPWC		
	#CT09G	OWDA #2465	OWDA #5369
2015	\$2,149	\$137,718	\$80,913
2016	2,149	137,719	80,913
2017	2,149	137,718	80,913
2018	2,149	137,719	80,913
2019	2,149		80,913
2020-2024	10,743		404,565
2025-2029			404,565
2030			80,913
Total	<u>\$21,488</u>	<u>\$550,874</u>	<u>\$1,294,608</u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed the following percentages of their wages during the audit period: for the period January 1 – June 30, 2013, 10%; for the period July 1, 2013 – June 30, 2014, 10.75%; and, for the period July 1, 2014 – December 31, 2014, 11.5%. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014. The Village picks up 2% of the OP&F participant and OPERS member contributions.

8. Risk Management

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The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014:

	2013	2014
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. 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 other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants

**VILLAGE OF PEMBERVILLE
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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 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, which acts as the joint venture's agent. During 2001, AMP 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. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2014, the outstanding debt was \$11,938,283. The Village's net investment in OMEGA JV2 was \$29,028 at December 31, 2014. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2014 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119

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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
	95.20%	127,640		4.80%	6,441
			Grand Total	100.00%	134,081

10. Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

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

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

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.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2014 and December 31, 2013 Pemberville has met their debt coverage obligation.

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, which acts as the joint venture's agent. During 1993 and 2001 AMP 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

**VILLAGE OF PEMBERVILLE
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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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2014 to \$57,679,473. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$27,489 at December 31, 2014. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

11. Jointly Governed Organizations

Pemberville Union Cemetery Board: The Board is comprised of three members alternating between the Freedom Township Trustees and Village Council. In 2013, one member of Council was on the Cemetery Board and in 2014, two members of Council were on the Board. The Board makes decisions on cost of lot purchases, maintenance of the cemetery, and regulations.

12. Long Term Purchase Commitment

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,058 kilowatts of a total 771,281 kilowatts, giving the Village a 0.14 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$183,460. The Village received a credit of \$28,477 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$47,848 related to the AMPGS costs deemed to have future benefit for the project participants, and payments made of \$60,000 leaving a net impaired cost estimate of \$47,135. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. The Village made payments in 2014 totaling \$22,500 leaving a net impaired cost estimate of \$25,685 at December 31, 2014.

The Village intends to recover these costs and repay AMP over the next two years through a power cost adjustment.

13. Segment Information for Enterprise Funds

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric

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WOOD COUNTY**

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Generation Agency (OMEGA) Joint Ventures as described in Notes 9 and 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	2014	2013
Total Assets	\$1,232,589	\$1,217,703
Total Liabilities	\$826,476	\$909,342
Condensed Operating Information:		
Operating Receipts		
Charges for Services	1,365,960	1,187,058
Other Operating Receipts	26,099	21,281
Total Operating Receipts	1,392,059	1,208,339
Operating Expenses		
	1,267,528	1,086,081
Operating Income	124,531	122,258
Nonoperating Receipts (Disbursements)		
Capital Outlay	(14,145)	(10,352)
Principal Payments	(87,030)	(61,634)
Interest Payments	(9,732)	(35,077)
Other Nonoperating Receipts (Disbursements)	1,262	1,239
Change in Fund Cash Balance	14,886	16,434
Beginning Fund Cash Balance	1,217,703	1,201,269
Ending Fund Cash Balance	<u>\$1,232,589</u>	<u>\$1,217,703</u>
Condensed Cash Flows Information:		
	2014	2013
Net Cash Provided by:		
Operating Activities	\$124,531	\$122,258
Capital and Related Financing Activities		
Principal Payments on Capital and Related Debt	(87,030)	(61,634)
Interest Payments on Capital and Related Debt	(9,732)	(35,077)
Other Capital and Related Financing Activities	(12,883)	(9,113)
Net Cash Used by Capital and Related Financing Activities	(109,645)	(105,824)
Net Increase	14,886	16,434
Beginning Fund Cash Balance	1,217,703	1,201,269
Ending Fund Cash Balance	<u>\$1,232,589</u>	<u>\$1,217,703</u>

14. Interfund Transfers

During 2014 and 2013, the Income Tax Fund made transfers totaling \$300,000 to the General Fund (\$180,000), Capital Projects Fund (\$70,000), and the Sewer Capital Improvement Fund (\$50,000), to

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

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(Continued)**

subsidize activities in those funds.

Additionally, during 2013, the General Fund made a transfer in the amount of \$12,000 to the Swimming Pool Fund to subsidize activities in the fund.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Pemberville, Wood County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 24, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

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statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 24, 2015



Dave Yost • 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
SEPTEMBER 8, 2015**