



**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Holiday City
Williams County
13918 County Road M
Holiday City, Ohio 43543-9785

To the Members of 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 Holiday City, Williams County, Ohio (the Village), as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the 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 2, 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 Holiday City, Williams County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Mary Taylor, CPA
Auditor of State

November 1, 2007

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

This discussion and analysis of the Village of Holiday City's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$138,984, or 26.5 percent, from the prior year.
- The Village's general receipts are primarily lodging and kWh taxes. These receipts represent respectively 9.15 and 35.43 percent of the total cash received for governmental activities during the year.
- Net Assets of the Electric operation, the Village's lone business-type activity, increased by \$102,446 during 2006.
- Menard Inc. reimbursed the Village for having Quality Lines mount a 12.47 kV distribution pole line.
- New Annual Expenditures: 2006 is the first year the Village paid the full annual payment of \$36,000 to the Village of Montpelier for the Operation & Maintenance Service Agreement; and the full annual payment of \$2,520 to the Village of Pioneer for the Pole Attachment License. Likewise, semi-annual interest payments were paid on the Menard's OWDA project loan.

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.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

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 Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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 lodging and kWh 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 streets. State and federal grants and property, lodging & kWh taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

Reporting the Government's Most Significant Funds

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

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

The Government as a Whole

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

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets						
Cash and Cash Equivalents	\$ 663,614	\$ 524,630	\$ 170,129	\$ 67,683	\$ 833,743	\$ 592,313
Total Assets	<u>\$ 663,614</u>	<u>\$ 524,630</u>	<u>\$ 170,129</u>	<u>\$ 67,683</u>	<u>\$ 833,743</u>	<u>\$ 592,313</u>
Net Assets						
Restricted for:						
Debt Service		\$ 450				\$ 450
Capital Outlay	\$ 11,627	14,572			\$ 11,627	14,572
Other Purposes	14,349	9,975			14,349	9,975
Unrestricted	637,638	499,633	\$ 170,129	\$ 67,683	807,767	567,316
Total Net Assets	<u>\$ 663,614</u>	<u>\$ 524,630</u>	<u>\$ 170,129</u>	<u>\$ 67,683</u>	<u>\$ 833,743</u>	<u>\$ 592,313</u>

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

As mentioned previously, net assets of governmental activities increased \$138,984 or 26.5 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Increases in municipal kWh and Chase Brass kWh tax collections.
- Menard's reimbursement of \$153,547, along with \$11,716 to the Electric Fund, for the 12.47 distribution pole line.

Net assets of business-type activities increased by \$102,446 or 152% during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Renegotiated contracts for Chase Brass increased their cost for power and transmission which increased both the Village's electric revenues and expenses.
- 2006 was the first full year of operation for the municipal electric (other than Chase Brass). Consequently, the budget and the appropriations increased.

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

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales			\$6,382,087	\$4,142,014	\$6,382,087	\$4,142,014
Operating Grants & Contributions	\$4,165	\$4,184			4,165	4,184
Total Program Receipts	4,165	4,184	6,382,087	4,142,014	6,386,252	4,146,198
General Receipts:						
Property and Other Local Taxes	452,651	329,877	903	4,994	453,554	334,871
Grants & Entitlements Not Restricted to Specific Programs	9,792	10,711			9,792	10,711
Interest	11,316	12,873			11,316	12,873
Miscellaneous	180,517	900	11,969		192,486	900
Total General Receipts	654,276	354,361	12,872	4,994	667,148	359,355
Other Financing Sources:						
Proceeds from Loan	296,735	361,162			296,735	361,162
Total Receipts	955,176	719,707	6,394,959	4,147,008	7,350,135	4,866,715
Disbursements:						
General Government	132,785	101,441			132,785	101,441
Public Health Services	5,547	4,025			5,547	4,025
Basic Utilities	172,125	147,235			172,125	147,235
Transportation	57				57	
Capital Outlay	449,679	360,054			449,679	360,054
Principal Retirement	15,853	15,853			15,853	15,853
Interest and Fiscal Charges	40,146	17,957			40,146	17,957
Other			6,292,513	4,365,658	6,292,513	4,365,658
Total Disbursements	816,192	646,565	6,292,513	4,365,658	7,108,705	5,012,223
Increase (Decrease) in Net Assets	138,984	73,142	102,446	(218,650)	241,430	(145,508)
Net Assets, January 1, 20CY	524,630	451,488	67,683	286,333	241,430	737,821
Net Assets, December 31, 20CY	\$663,614	\$524,630	\$170,129	\$67,683	\$482,860	\$592,313

Program receipts represent less than one percent of total receipts. These are comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent over 99 percent of the Village's total receipts, and of this amount, 47 percent are local taxes. Thirty-one percent of receipts are the loan proceeds from the Ohio Water Development Authority used to construct the Menard, Inc. water and sewer line extension. State and federal grants and entitlements, interest and miscellaneous revenue make up the balance of the Village's general receipts (21 percent).

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

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 Council, and the County Auditor and Treasurer fees, as well as internal services such as payroll and purchasing.

Public Health Services are the County Health Department Assessments; the Basic Utilities are the water and sewer line tap fees for Chase Brass, which are paid to the Village of Montpelier; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for basic utilities and capital outlay, which account for 21.1 and 55.1 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 16.3 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$132,785	\$132,785	\$101,441	\$101,441
Public Health Services	5,547	5,547	4,025	4,025
Basic Utilities	172,125	172,125	147,235	147,235
Transportation	57	(4,108)		(4,184)
Capital Outlay	449,679	449,679	360,054	360,054
Principal Retirement	15,853	15,853	15,853	15,853
Interest & Fiscal Charges	40,146	40,146	17,957	17,957
Total Expenses	\$816,192	\$812,027	\$646,565	\$642,381

The dependence upon other (lodging & kWh) tax receipts is apparent as over 52.2 percent of governmental activities are supported through these general receipts.

\$296,735 was collected from the Ohio Water Development Authority as loan proceeds on paid invoices for the Menard Distribution Center's water/sewer infrastructure and water tower projects.

Business-type Activities

The electric operation of the Village is relatively large and reports receipts and cash disbursements that are relatively equal considering the dollar amounts: \$6,394,959 and 6,292,513 respectively.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

The Government's Funds

Total governmental funds had receipts and other financing sources of \$955,176 and disbursements of \$816,192, not including transfers. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$138,005 as the result of increases in municipal and Chase Brass kWh tax collection and the Menard reimbursement for the 12.47 distribution pole line.

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 2006, the General Fund budget did not require amending. Final budgeted receipts remained unchanged from the original budget. The difference between final budgeted receipts and actual receipts was significant. Actual receipts were higher in a few areas: a slight increase in lodging tax and a significant increase in kWh tax collections. Another noteworthy increase, under other miscellaneous receipts, occurred due to Menard's 12.47 line reimbursement of \$156,547.

Final disbursements were budgeted at \$871,307 while actual disbursements were \$492,960. The Village kept spending low vs. budgeted amounts as documented by the reported variances due to the fact that it is preparing for additional infrastructure expenditures expected to occur in the near future.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2006, the Village's outstanding debt included \$370,000 in general obligation bonds issued for the building of Village Hall; and \$90,725 on the Ohio Public Works Commission loan for Selwyn Drive/M-50 water/sewer infrastructure; and \$657,897 from the Ohio Water Development Authority loan for the Menard Distribution Center's water/sewer infrastructure and water tower projects.

For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes to help build infrastructure to better serve our community and prepare for our current and future growth.

For now, the presence of the new Menard Distribution Center has not yet been fully felt within the community as its construction is still in progress. However, we anticipate increasing electric revenues and expenses as various phases of the project are completed. In addition, we will be looking to future growth expansion and the probable need of an electric substation to deal with rising electric demand.

VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY

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

Contacting the Government'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 Lauri K. TenEyck-Rupp, Clerk-Treasurer, Village of Holiday City, 13918 Co. Rd. M; Holiday City, Ohio 43543-9785.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$663,614</u>	<u>\$170,129</u>	<u>\$833,743</u>
<i>Total Assets</i>	<u><u>\$663,614</u></u>	<u><u>\$170,129</u></u>	<u><u>\$833,743</u></u>
 Net Assets			
Restricted for:			
Capital Projects	\$11,627		\$11,627
Other Purposes	14,349		14,349
Unrestricted	<u>637,638</u>	<u>\$170,129</u>	<u>807,767</u>
<i>Total Net Assets</i>	<u><u>\$663,614</u></u>	<u><u>\$170,129</u></u>	<u><u>\$833,743</u></u>

See accompanying notes to the financial statements

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

		Program Cash Receipts	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
General Government	\$132,785		
Public Health Services	5,547		
Basic Utility Services	172,125		
Transportation	57		\$4,165
Capital Outlay	449,679		
Debt Service:			
Principal	15,853		
Interest	40,146		
<i>Total Governmental Activities</i>	816,192		4,165
Business Type Activities			
Electric Operating	6,292,513	\$6,382,087	
<i>Total Business Type Activities</i>	6,292,513	6,382,087	
Total	\$7,108,705	\$6,382,087	\$4,165

General Receipts

Property Taxes Levied for General Purposes
Other Taxes
Grants and Entitlements not Restricted to Specific Programs
Other Debt Proceeds
Interest
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$132,785)		(\$132,785)
(5,547)		(5,547)
(172,125)		(172,125)
4,108		4,108
(449,679)		(449,679)
(15,853)		(15,853)
(40,146)		(40,146)
(812,027)		(812,027)
	\$89,574	89,574
	89,574	89,574
(812,027)	89,574	(722,453)
26,735		26,735
425,916	903	426,819
9,792		9,792
296,735		296,735
11,316		11,316
180,517	11,969	192,486
951,011	12,872	963,883
138,984	102,446	241,430
524,630	67,683	592,313
\$663,614	\$170,129	\$833,743

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$637,638	\$25,976	\$663,614
<i>Total Assets</i>	\$637,638	\$25,976	\$663,614
Fund Balances			
Unreserved:			
Undesignated, Reported in:			
General Fund	\$637,638		\$637,638
Special Revenue Funds		\$14,349	14,349
Capital Projects Funds		11,627	11,627
<i>Total Fund Balances</i>	\$637,638	\$25,976	\$663,614

See accompanying notes to the financial statements

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$452,651		\$452,651
Intergovernmental	9,792	\$4,165	13,957
Interest	11,051	265	11,316
Miscellaneous	157,471	23,046	180,517
	<u>630,965</u>	<u>27,476</u>	<u>658,441</u>
<i>Total Receipts</i>			
Disbursements			
Current:			
General Government	132,785		132,785
Public Health Services	5,547		5,547
Basic Utility Services	172,125		172,125
Transportation		57	57
Capital Outlay	150,000	299,679	449,679
Debt Service:			
Principal Retirement		15,853	15,853
Interest and Fiscal Charges		40,146	40,146
	<u>460,457</u>	<u>355,735</u>	<u>816,192</u>
<i>Total Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>170,508</u>	<u>(328,259)</u>	<u>(157,751)</u>
Other Financing Sources (Uses)			
Other Debt Proceeds		296,735	296,735
Transfers In		32,503	32,503
Transfers Out	(32,503)		(32,503)
	<u>(32,503)</u>	<u>329,238</u>	<u>296,735</u>
<i>Total Other Financing Sources (Uses)</i>			
<i>Net Change in Fund Balances</i>	138,005	979	138,984
Fund Balances Beginning of Year	499,633	24,997	524,630
<i>Fund Balances End of Year</i>	<u>\$637,638</u>	<u>\$25,976</u>	<u>\$663,614</u>

See accompanying notes to the financial statements

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$352,134	\$352,134	\$452,651	\$100,517
Intergovernmental	10,640	10,640	9,792	(848)
Interest	8,000	8,000	11,051	3,051
Miscellaneous	900	900	157,471	156,571
<i>Total Receipts</i>	<u>371,674</u>	<u>371,674</u>	<u>630,965</u>	<u>259,291</u>
Disbursements				
Current:				
General Government	173,453	206,819	132,785	74,034
Public Health Services	4,200	6,334	5,547	787
Basic Utility Services	156,595	175,390	172,125	3,265
Capital Outlay	354,556	300,261	150,000	150,261
<i>Total Disbursements</i>	<u>688,804</u>	<u>688,804</u>	<u>460,457</u>	<u>228,347</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(317,130)</u>	<u>(317,130)</u>	<u>170,508</u>	<u>487,638</u>
Other Financing Uses				
Transfers Out	(182,503)	(182,503)	(32,503)	150,000
<i>Net Change in Fund Balance</i>	(499,633)	(499,633)	138,005	637,638
<i>Fund Balance Beginning of Year</i>	498,475	498,475	498,475	
Prior Year Encumbrances Appropriated	\$1,158	\$1,158	1,158	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$637,638</u></u>	<u><u>\$637,638</u></u>

See accompanying notes to the financial statements

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

	<u>Business-Type Activities</u>
	<u>Electric Operating Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$170,129</u>
<i>Total Assets</i>	<u><u>\$170,129</u></u>
Net Assets	
Unrestricted	<u>\$170,129</u>
<i>Total Net Assets</i>	<u><u>\$170,129</u></u>

See accompanying notes to the financial statements

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	Business-Type Activities
	Electric Operating Fund
Operating Receipts	
Charges for Services	\$6,382,087
Operating Disbursements	
Contractual Services	6,279,687
Materials and Supplies	9,338
Other	3,488
<i>Total Operating Disbursements</i>	6,292,513
<i>Operating Income</i>	89,574
Non-Operating Receipts	
Property and Other Local Taxes	903
Miscellaneous Receipts	11,969
<i>Total Non-Operating Receipts</i>	12,872
<i>Income</i>	102,446
Net Assets Beginning of Year	67,683
<i>Net Assets End of Year</i>	\$170,129

See accompanying notes to the financial statements

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 1 – REPORTING ENTITY

The Village of Holiday City, Williams County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

A. Primary Government

The primary government consists of all funds and departments that are not legally separate from the Village. The Village provides general government services, electric utility, and contracted maintenance of Village roads and bridges.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

C. Jointly Governed Organizations and Public Entity Risk Pools

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 a public entity risk pool. The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members"). Note 6 to the financial statements provides additional information for this entity.

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

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The

Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

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

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

B. Fund Accounting

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

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has one major governmental fund, the 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.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

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 has the following major enterprise fund:

Electric Operating Fund - The Electric Operating Fund accounts for the provision of electric service to the residents and commercial users located 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 liabilities and the related expenses) are not recorded in these financial statements.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2006, the Village invested in a flexible non-personal savings account and STAR Ohio. The flexible non-personal savings account is recorded at the amount reported by Farmers & Merchants Bank at December 31, 2006.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$11,051 which includes \$2,026 assigned from other Village funds.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

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

F. 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.

G. 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.

H. Interfund Receivables/Payables

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

I. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. 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 include resources restricted for streets. The Village's policy is to first apply restricted sources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation.

L. 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 indicates that portion of fund balance which is available for appropriation in future periods. No fund balance reserves have been established.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

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

M. Interfund Transactions

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

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

NOTE 3 – 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 fund 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). There were no encumbrances outstanding at year end (budgetary basis) for the general fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

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

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

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

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

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

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

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 whose market value at all times shall be at least one hundred five percent of the deposits being secured. Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

As of December 31, 2006, the Village had \$159,348 invested in STAR Ohio. STAR Ohio has a maturity of approximately one month.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after April 1, 2006, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$1.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$226,010
Agricultural	219,330
Commercial/Industrial/Mineral	4,778,950
Tangible Personal Property	
Business	10,999,190
Public Utility	149,170
Total Assessed Value	<u><u>\$16,372,650</u></u>

NOTE 6 – RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 6 – RISK MANAGEMENT – (CONTINUED)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$6,109, \$5,091, and \$3,534 respectively. The full amount has been contributed for 2006, 2005, and 2004.

NOTE 8 - POSTEMPLOYMENT BENEFITS

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 primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 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, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 8 - POSTEMPLOYMENT 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, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$2.988. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

NOTE 9 – DEBT

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

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2003 Issue	4.5%	\$380,000		\$10,000	\$370,000	\$15,000
2002 Ohio Public Works						
Commission Loan	0%	96,578		5,853	90,725	5,853
2005 Ohio Water						
Development Authority Loan	3%	361,162	\$296,735		657,897	
Total Governmental Activities		\$837,740	\$296,735	\$15,853	\$1,118,622	\$20,853

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments. The bonds were issued to finance construction of the town hall with final maturity in 2023.

The 2002 Ohio Public Works Commission loan relates to a water and sewer line extension project to a local business which has recently been annexed. The loan is repaid in semiannual installments of \$2,927 over 20 years. Money is transferred from the General Fund each year to cover the OPWC debt service requirements.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 9 – DEBT – (CONTINUED)

The purpose of the OWDA loan was for the water and sewer line extension to service a business development in a recently annexed area. The construction is still in progress. The Village has been approved for a maximum loan amount of \$768,000. The loan will be repaid in semiannual installments of interest only for the first five years, beginning July 1, 2006, and payments of \$90,033 including interest over the remaining 10 years beginning July 1, 2011. The loan is still in progress with an outstanding balance of \$657,897 at December 30, 2006, and a final amortization schedule is unavailable. Monies collected under an infrastructure agreement between the Village and Menards, Inc. will be used to finance these payments.

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

Year	G.O. Bonds		OWDA Loan
	Principal	Interest	Principal
2007	\$15,000	\$16,650	\$5,853
2008	15,000	15,975	5,853
2009	15,000	15,300	5,853
2010	15,000	14,625	5,853
2011	15,000	13,950	5,853
2012–2116	95,000	58,275	29,266
2017–2021	135,000	33,525	29,266
2022–2023	65,000	4,500	2,928
Totals	\$370,000	\$172,800	\$90,725

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

NOTE 10 – INTERFUND TRANSFERS

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Village Hall Bond Retirement Fund	\$26,650
OPWC Loan Retirement Fund	5,853
Total Transfers from the General Fund	\$32,503

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

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

NOTE 11 – CONTRACTUAL COMMITMENT

The Village has a contract with American Municipal Power – Ohio (AMP-Ohio) to provide electric power and energy for its municipal electric system. This service is transmitted to the Village through a joint venture of four subdivisions located within Williams County. This joint venture is known as Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV-4) which was created for that purpose.

AMP – Ohio bills the Village for all electric power and energy purchased through this agreement. It also prepares the billing on behalf of the Village for an industrial customer located within the Village. This customer remits the payment to the Village. In 2006, as a result of this contract, the Village paid \$5,961,164 to AMP – Ohio.

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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 Holiday City
Williams County
13918 County Road M
Holiday City, Ohio 43543-9785

To the Members of Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Holiday City, Williams County (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 1, 2007, wherein, we noted that the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 Township. 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 opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

We also noted certain other internal control matters that we reported to the Village's management in a separate letter dated November 1, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

November 1, 2007

VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

Material Weakness - Monitoring of Utility Billings

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices. When designing the public office's system of internal control and the specific control activities, management should consider monitoring activities performed by service organizations.

The Village has a contract with American Municipal Power – Ohio (AMP-Ohio) to provide electric power and energy for its municipal electric system. As part of this agreement, AMP- Ohio also prepares the billing for an industrial customer located within the Village on behalf of the Village.

The Village does not monitoring the billing process handled by AMP-Ohio. These billings account for 84 percent of the total revenues recorded in the electric fund during 2006.

We recommend management establish procedures that will monitor the billing process of utility customers to ensure the correct amount is billed. Management should consider taking steps to verify that the usages billed along with rates used to determine amounts due are correct.

Official's Response:

Management will implement procedures to monitor the billing process.

FINDING NUMBER 2006-002

Significant Deficiency - Financial Reporting

As a result of the audit procedures performed, the following error was noted in the financial statements that required an audit adjustment:

Loan proceeds from the Ohio Water Development Authority, totaling \$296,735, were misposted to "Intergovernmental Revenue" instead of "Other Debt Proceeds".

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk-Treasurer and Council, to identify and correct errors and omissions. The Clerk-Treasurer should also review the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Official's Response:

Management has implemented procedures to correct the line item postings for future fiscal years.

VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Monitoring of Utility Billings	No	Finding was reissued as Finding 2006-001.



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOLIDAY CITY

WILLIAMS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2007**