



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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Pemberville, Wood County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

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 such 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 opinions.

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

As described in Note 2 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, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Pemberville, Wood County, Ohio as of December 31, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018, 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

February 26, 2018

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$79,941				\$79,941
Municipal Income Tax		\$416,685			416,685
Intergovernmental	242,457	72,660			315,117
Special Assessments			\$108,096	\$36,946	145,042
Charges for Services	210	635			845
Fines, Licenses and Permits	17,869	61			17,930
Earnings on Investments	2,148	123			2,271
Miscellaneous	61,652	16			61,668
<i>Total Cash Receipts</i>	<u>404,277</u>	<u>490,180</u>	<u>108,096</u>	<u>36,946</u>	<u>1,039,499</u>
Cash Disbursements					
Current:					
Security of Persons and Property	190,332				190,332
Public Health Services	1,002				1,002
Leisure Time Activities		776			776
Transportation		107,299			107,299
General Government	190,361	51,869	1,223		243,453
Capital Outlay	220,000	144		171,636	391,780
Debt Service:					
Principal Retirement			98,654		98,654
Interest and Fiscal Charges			8,969		8,969
<i>Total Cash Disbursements</i>	<u>601,695</u>	<u>160,088</u>	<u>108,846</u>	<u>171,636</u>	<u>1,042,265</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(197,418)</u>	<u>330,092</u>	<u>(750)</u>	<u>(134,690)</u>	<u>(2,766)</u>
Other Financing Receipts (Disbursements):					
Other Debt Proceeds				21,937	21,937
Transfers In	180,000			70,000	250,000
Transfers Out	(31,200)	(300,000)			(331,200)
Other Financing Sources	2,086				2,086
Other Financing Uses	(2)	(5,107)			(5,109)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>150,884</u>	<u>(305,107)</u>		<u>91,937</u>	<u>(62,286)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(46,534)</u>	<u>24,985</u>	<u>(750)</u>	<u>(42,753)</u>	<u>(65,052)</u>
<i>Fund Cash Balances, January 1</i>	<u>450,268</u>	<u>537,523</u>	<u>6,688</u>	<u>486,855</u>	<u>1,481,334</u>
Fund Cash Balances, December 31					
Restricted		245,403	5,938	373	251,714
Committed				443,729	443,729
Assigned	22,654	317,105			339,759
Unassigned	381,080				381,080
<i>Fund Cash Balances, December 31</i>	<u>\$403,734</u>	<u>\$562,508</u>	<u>\$5,938</u>	<u>\$444,102</u>	<u>\$1,416,282</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,980,283
Miscellaneous	11,237
	<u>1,991,520</u>
 Operating Cash Disbursements	
Personal Services	280,587
Employee Fringe Benefits	96,055
Contractual Services	1,136,315
Supplies and Materials	137,292
Other	6,250
	<u>1,656,499</u>
 <i>Total Operating Cash Disbursements</i>	<u>1,656,499</u>
 <i>Operating Income</i>	<u>335,021</u>
 Non-Operating Receipts (Disbursements)	
Special Assessments	110,630
Other Debt Proceeds	118,810
Miscellaneous Receipts	20,427
Capital Outlay	(264,428)
Principal Retirement	(181,924)
Interest and Other Fiscal Charges	(41,717)
Other Financing Sources	120,625
	<u>120,625</u>
 <i>Total Non-Operating Receipts (Disbursements)</i>	<u>(117,577)</u>
 <i>Income before Transfers</i>	217,444
 Transfers In	<u>81,200</u>
 <i>Net Change in Fund Cash Balances</i>	298,644
 <i>Fund Cash Balances, January 1</i>	<u>2,638,078</u>
 <i>Fund Cash Balances, December 31</i>	<u>\$2,936,722</u>

See accompanying notes to the basic financial statements.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - Reporting Entity

The Village of Pemberville (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council 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 one jointly governed organization, two joint ventures, one long term purchase commitment, and one public entity risk pool. Notes 7 and 10-12 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable. These organizations are:

Jointly Governed Organization:
Pemberville Union Cemetery

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

Long Term Purchase Commitment:
American Municipal Power Generating Station Project

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.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

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

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:

VILLAGE OF PEMBERVILLE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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.

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.

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:

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 cost.

Pool Fund This fund receives charges for services from patrons, as well as donations and monies transferred from the General Fund, to cover pool operating expenses.

Water Capital Improvement Fund This fund receives on behalf of monies from the Ohio Water Development Authority to help cover the cost of the South Water Plant Rehabilitation Project

Basis of Accounting

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 Council 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.

Budgetary Process

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

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

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.

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 2016 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

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:

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

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

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.

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.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$535,820	\$586,363	\$50,543
Special Revenue	688,550	490,180	(198,370)
Debt Service	115,000	108,096	(6,904)
Capital Projects	70,000	128,883	58,883
Enterprise	2,628,234	2,443,212	(185,022)
Total	\$4,037,604	\$3,756,734	(\$280,870)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$755,627	\$637,140	\$118,487
Special Revenue	599,772	468,497	131,275
Debt Service	109,700	108,846	854
Capital Projects	354,000	173,834	180,166
Enterprise	3,735,831	2,334,578	1,401,253
Total	\$5,554,930	\$3,722,895	\$1,832,035

Note 4 – 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:

	2016
Demand deposits	\$1,382,184
Certificates of deposit	950,000
Other time deposits (savings and NOW accounts)	2,020,820
Total deposits	\$4,353,004

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village; or, collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

Note 6 – Interfund Balances

During 2016, the Income Tax Fund made transfers totaling \$300,000 to the General fund (\$180,000) and Capital Projects Fund (\$70,000), and the Sewer Capital Improvement Fund (\$50,000), to subsidize activities in those funds.

Additionally, during 2016, the General Fund made a transfer in the amount \$31,200 to the Swimming Pool Fund to subsidize activities in the fund.

Note 7 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

The Village picks up 2% of the OP&F participant and OPERS member contributions.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CT09G	\$17,191	0.00%
Ohio Public Works Commission Loan #CE07S	21,937	0.00%
Ohio Public Works Commission Loan #CE35S	2,602	0.00%
Ohio Water Development Authority Loan #2465	265,022	3.12%
Ohio Water Development Authority Loan #5369	934,948	2.75%
Ohio Water Development Authority Loan #7269	95,898	2.46%
Total	<u>\$1,337,598</u>	

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 Village and the Ohio Department of Transportation entered in a project agreement for resurfacing and enhancement of State Route 105, within the Village. Total project cost was estimated at \$182,140, with \$117,766 of the cost being paid by the Ohio Public Works Commission (OPWC) as a zero-interest loan (Loan # CE07S), and an OPWC grant. Project costs have not been finalized and the project is listed as pending; as a result the full amount of the loan and number of installment payments are unknown at this time. The amortization schedule below assumes a 20 year payback period and only shows the amount received as of 12/31/16; the full loan amount is not presented, since the project was ongoing at fiscal year-end.

The Ohio Public Works Commission (OPWC) administered financial assistance (Loan #CE35S) for South Water Treatment Plant Improvements. The amount of the loan financed was \$26,250 at zero-interest and it will be repaid in semiannual installments over 20 years. As of 12/31/16, only \$2,602 had been received; the amortized amount below is based on the total amount received at year-end, in accordance with the existing amortization schedule.

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. Beginning with the January 1, 2016 payment (paid in December of 2015), the OWDA applied an interest-rate buy down credit. This credit, applied to each interest payment over the remaining life of the loan, will save the Village \$1,105 in interest. 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 system expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,238,363 in loans to

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

The Ohio Water Development Authority (OWDA) loan #7269 relates the south water treatment plant rehabilitation including new softeners, underground salt storage and various improvements to correct operating deficiencies. The OWDA approved up to \$735,319 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$29,459, including interest, over 15 years. The amortized amount below is based on the total amount received at December 31, 2016, in accordance with the existing amortization schedule. Water and sewer receipts collateralize the loan.

Amortization

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

Year Ending December 31:	OPWC #CT09G	OPWC #CE07S	OPWC #CE35S	OWDA #2465	OWDA #5369	OWDA #7269
2017	\$2,149	\$1,097	\$656	\$137,439	\$80,913	\$58,918
2018	2,149	1,097	1,312	137,597	80,913	39,340
2019	2,149	1,097	634		80,913	
2020	2,149	1,097			80,913	
2021	2,149	1,097			80,913	
2022-2026	6,446	5,485			404,565	
2027-2031		5,485			323,652	
2032-2036		5,482				
Total	<u>\$17,191</u>	<u>\$21,937</u>	<u>\$2,602</u>	<u>\$275,036</u>	<u>\$1,132,782</u>	<u>\$98,258</u>

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, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 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. In addition, the Village made payments totaling \$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. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement amount the participants and the AMP General Fund based on each participant's original project share in kW including

VILLAGE OF PEMBERVILLE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

the AMP General Funds' project share.

Since March 31, 2014 the Village has made payments of \$48,575 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,846 and interest expense incurred on AMP's line-of-credit of \$275, resulting in a net impaired cost estimated at December 31, 2016 of \$681. The Village does have a potential Plant Held for Future Use (PHFU) Liability of \$49,161 resulting in a net total potential liability of \$49,746, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include such negative items as property taxes, as well as positive items from leases or sale of all or a portion of the Meigs County site property.

The Village received \$5,213 as their share of the Settlement, which has been applied as a credit against the Village's stranded cost liability. The Village intends to recover these costs and repay AMP over the next two years through a power cost adjustment.

Note 11 – Joint Ventures

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village of Pemberville is a Non-Financing Participant and an Owner Participant with an ownership percentage of .15 and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP 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, 2016, the outstanding debt was \$4,142,633. The Village's net investment in OMEGA JV2 was \$19,563 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 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
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
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

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

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, 2016, Pemberville has met its debt coverage obligation.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 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. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$27,489 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Note 12 – Jointly Governed Organizations

Pemberville Union Cemetery Board: The Board is comprised of three members alternating between the Freedom Township Trustees and Village Council. In 2016, one member of council was on the Cemetery Board. The Board makes decisions on cost of lot purchases, maintenance of the cemetery, and regulations.

Note 13 – AMP Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 11. 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:

VILLAGE OF PEMBERVILLE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	
Total Fund Cash Balance	\$1,397,914	
Total Long-Term Debt	646,793	
Condensed Operating Information:		
Operating Receipts		
Charges for Services	1,398,374	
Other Operating Receipts	8,974	
Total Operating Receipts	<u>1,407,348</u>	
Operating Expenses		
Personal Services	98,252	
Employee Fringe Benefits	44,382	
Contractual Services	1,050,007	
Supplies and Materials	15,503	
Total Operating Expenses	<u>1,208,144</u>	
Operating Income	199,204	
Nonoperating Receipts (Disbursements)		
Capital Outlay	(20,210)	
Principal Payments	(77,449)	
Interest Payments	(4,281)	
Other Nonoperating Receipts	<u>2,718</u>	
Change in Fund Cash Balance	99,982	
Beginning Fund Cash Balance	1,297,932	
Ending Fund Cash Balance	<u>\$1,397,914</u>	
Condensed Cash Flows Information:		
	2016	
Net Cash Provided (Used) by:		
Operating Activities	\$199,204	
Capital and Related Financing Activities		
Principal Payments on Capital and Related Debt	(77,449)	
Interest Payments on Capital and Related Debt	(4,281)	
Other Capital and Related Financing Activities	(17,492)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(99,222)</u>	
Net Increase (Decrease)	99,982	
Beginning Fund Cash Balance	1,297,932	
Ending Fund Cash Balance	<u>\$1,397,914</u>	

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$81,455				\$81,455
Municipal Income Tax		\$383,686			383,686
Intergovernmental	23,592	90,499			114,091
Special Assessments			\$109,894	\$3,974	113,868
Charges for Services	140	530			670
Fines, Licenses and Permits	8,765				8,765
Earnings on Investments	3,783	254			4,037
Miscellaneous	2,539	1,976			4,515
<i>Total Cash Receipts</i>	<u>120,274</u>	<u>476,945</u>	<u>109,894</u>	<u>3,974</u>	<u>711,087</u>
Cash Disbursements					
Current:					
Security of Persons and Property	165,397				165,397
Public Health Services	1,116				1,116
Leisure Time Activities		15,720			15,720
Basic Utility Services	340				340
Transportation		55,661			55,661
General Government	178,684	34,773	1,247		214,704
Capital Outlay				68,347	68,347
Debt Service:					
Principal Retirement			95,669		95,669
Interest and Fiscal Charges			12,461		12,461
<i>Total Cash Disbursements</i>	<u>345,537</u>	<u>106,154</u>	<u>109,377</u>	<u>68,347</u>	<u>629,415</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(225,263)</u>	<u>370,791</u>	<u>517</u>	<u>(64,373)</u>	<u>81,672</u>
Other Financing Receipts/(Disbursements):					
Transfers In	180,000	1,800		70,000	251,800
Transfers Out	(23,035)	(300,000)			(323,035)
Other Financing Sources	1,693				1,693
Other Financing Uses	(26)	(8,013)			(8,039)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>158,632</u>	<u>(306,213)</u>		<u>70,000</u>	<u>(77,581)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(66,631)</u>	<u>64,578</u>	<u>517</u>	<u>5,627</u>	<u>4,091</u>
<i>Fund Cash Balances, January 1</i>	<u>516,899</u>	<u>472,945</u>	<u>6,171</u>	<u>481,228</u>	<u>1,477,243</u>
Fund Cash Balances, December 31					
Restricted		279,983	6,688	373	287,044
Committed		257,540		486,482	744,022
Assigned	219,807				219,807
Unassigned	230,461				230,461
<i>Fund Cash Balances, December 31</i>	<u>\$450,268</u>	<u>\$537,523</u>	<u>\$6,688</u>	<u>\$486,855</u>	<u>\$1,481,334</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,917,241
Miscellaneous	30,355
	<u>1,947,596</u>
<i>Total Operating Cash Receipts</i>	<u>1,947,596</u>
Operating Cash Disbursements	
Personal Services	265,189
Employee Fringe Benefits	88,565
Contractual Services	1,159,987
Supplies and Materials	103,643
Other	7,232
	<u>1,624,616</u>
<i>Total Operating Cash Disbursements</i>	<u>1,624,616</u>
<i>Operating Income</i>	<u>322,980</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	112,526
Miscellaneous Receipts	43,072
Capital Outlay	(162,472)
Principal Retirement	(154,168)
Interest and Other Fiscal Charges	(36,395)
	<u>(197,437)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(197,437)</u>
<i>Income before Transfers</i>	125,543
Transfers In	71,235
	<u>196,778</u>
<i>Net Change in Fund Cash Balances</i>	<u>196,778</u>
<i>Fund Cash Balances, January 1</i>	<u>2,441,300</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,638,078</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 - Reporting Entity

The Village of Pemberville (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council 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 one jointly governed organization, two joint ventures, one long term purchase commitment, and one public entity risk pool. Notes 7 and 10-12 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable. These organizations are:

Jointly Governed Organization:

Pemberville Union Cemetery

Joint Ventures:

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

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

Long Term Purchase Commitment:

American Municipal Power Generating Station Project

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.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

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

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:

VILLAGE OF PEMBERVILLE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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.

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.

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:

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 cost.

Basis of Accounting

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 Council 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.

Budgetary Process

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

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.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

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 2015 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

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:

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

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

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.

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.

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.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$302,258	\$301,967	(\$291)
Special Revenue	383,442	478,745	95,303
Debt Service	115,000	109,894	(5,106)
Capital Projects	70,000	73,974	3,974
Enterprise	1,886,520	2,174,429	287,909
Total	\$2,757,220	\$3,139,009	\$381,789

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$493,177	\$374,760	\$118,417
Special Revenue	557,876	415,033	142,843
Debt Service	109,600	109,377	223
Capital Projects	270,050	77,047	193,003
Enterprise	2,862,194	2,048,663	813,531
Total	\$4,292,897	\$3,024,880	\$1,268,017

Note 4 – 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:

	2015
Demand deposits	\$1,214,242
Certificates of deposit	950,000
Other time deposits (savings and NOW accounts)	1,955,170
Total deposits	\$4,119,412

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village; or, collateralized by the financial institution's public entity deposit pool.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

Note 6 – Interfund Balances

During 2015, the Income Tax Fund made transfers totaling \$300,000 to the General fund (\$180,000) and Capital Projects Fund (\$70,000), and the Sewer Capital Improvement Fund (\$50,000), to subsidize activities in those funds.

Additionally, during 2015, the General Fund made a transfer in the amount \$21,235 to the Swimming Pool Fund to subsidize activities in the fund and a transfer in the amount of \$1,800 to the Parks and Recreation as the local match for the Wood County Park Grant.

Note 7 - Risk Management

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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts,

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 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, 2015 and 2014:

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

Ohio Police and Fire Retirement System

Other Village full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For the period January 1 - June 30, 2015, OP&F participants contributed 11.5% of their wages; for the period July 1, 2015 – December 31, 2015, OP&F participants contributed 12.25%. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

The Village picks up 2% of the OP&F participant and OPERS member contributions.

VILLAGE OF PEMBERVILLE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CT09G	\$19,339	0.00%
Ohio Water Development Authority Loan #2465	391,504	3.12%
Ohio Water Development Authority Loan #5369	<u>989,032</u>	2.75%
Total	<u><u>\$1,399,875</u></u>	

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. Beginning with the January 1, 2016 payment (paid in December of 2015), the OWDA applied an interest-rate buy down credit. This credit, applied to each interest payment over the remaining life of the loan, will save the Village \$1,105 in interest. 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 system 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.

VILLAGE OF PEMBERVILLE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Amortization

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

Year Ending December 31:	OPWC #CT09G	OWDA #2465	OWDA #5369
2016	\$2,149	\$137,286	\$80,913
2017	2,149	137,439	80,913
2018	2,149	137,597	80,913
2019	2,149		80,913
2020	2,149		80,913
2021-2025	8,594		404,565
2026-2030			404,565
Total	<u>\$19,339</u>	<u>\$412,322</u>	<u>\$1,213,695</u>

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. Since March 31, 2014 the Village has made payments of \$48,575 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,408 and interest expense incurred on AMP's line-of-credit of \$270, resulting in a net impaired cost estimate at December 31, 2015 of \$238.

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

Note 11 – Joint Ventures

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village of Pemberville is a Non-Financing Participant and an Owner Participant with an ownership percentage of .15 and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

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FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, the outstanding debt was \$8,052,470. The Village's net investment in OMEGA JV2 was \$24,372 at December 31, 2015. 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, 2015 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
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
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015 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 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, 2015 to \$49,803,187.* 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, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

* Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

Note 12 – Jointly Governed Organizations

Pemberville Union Cemetery Board: The Board is comprised of three members alternating between the Freedom Township Trustees and Village Council. In 2015, one member of council was on the Cemetery Board. The Board makes decisions on cost of lot purchases, maintenance of the cemetery, and regulations.

Note 13 – AMP Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 11. 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:

	2015
Total Fund Cash Balance	\$1,297,932
Total Long-Term Debt	724,243
Condensed Operating Information:	
Operating Receipts	
Charges for Services	1,367,395
Other Operating Receipts	28,244
Total Operating Receipts	1,395,639
Operating Expenses	
Personal Services	95,389
Employee Fringe Benefits	42,752
Contractual Services	1,065,766
Supplies and Materials	11,515
Total Operating Expenses	1,215,422
Operating Income	180,217
Nonoperating Receipts (Disbursements)	
Capital Outlay	(45,398)
Principal Payments	(72,435)
Interest Payments	(5,478)
Other Nonoperating Receipts	8,437
Change in Fund Cash Balance	65,343
Beginning Fund Cash Balance	1,232,589
Ending Fund Cash Balance	<u>\$1,297,932</u>

VILLAGE OF PEMBERVILLE
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Condensed Cash Flows Information:	2015	
Net Cash Provided (Used) by:		
Operating Activities	\$180,217	
Capital and Related Financing Activities		
Principal Payments on Capital and Related Debt	(72,435)	
Interest Payments on Capital and Related Debt	(5,478)	
Other Capital and Related Financing Activities	(36,961)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(114,874)	
Net Increase (Decrease)	65,343	
Beginning Fund Cash Balance	1,232,589	
Ending Fund Cash Balance	<u>\$1,297,932</u>	



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

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 cash balances, receipts, and disbursements by fund type of the Village of Pemberville, Wood County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated February 26, 2018 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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

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, 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 Village'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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 26, 2018

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness – Financial Monitoring

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Accurate financial reporting is the responsibility of the Fiscal Officer, Mayor, and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted and required adjustment to the financial statements:

- In 2016, the Village recorded on-behalf of monies related to the State Route 105 resurfacing project to the General Fund. The related expenses were posted in the Village's Permanent Improvement Fund. Of the amounts received, \$36,946 was on-behalf of grant money and did not have to be repaid; the other amount, totaling \$21,937, represents loan proceeds that will have to be repaid by the Village. Together, these amounts, totaling \$58,883, should be posted to the Permanent Improvement Fund as intergovernmental revenue (\$36,946) and Other Debt Proceeds (\$21,937), and removed from the General Fund.
- In 2016, the Village recorded on-behalf of monies related to the water treatment plant project as Intergovernmental Revenue within the Water Capital Improvement Enterprise Fund. This amount, totaling \$118,810, which is required to be repaid, should have been posted as Other Debt Proceeds.
- In 2016, the Village received a payment from Northwestern Regional Water and Sewer District totaling \$120,625, towards the cost of the Waste Water Treatment Plant. The monies were correctly posted to the Sewer Operating Enterprise Fund, but were incorrectly posted as Special Assessments, instead of Other Financing Sources.

Due to an insufficiency of monitoring by management, the amounts noted above were improperly classified or recorded. They have been adjusted and are properly presented on the financial statements.

The failure to correctly classify financial activity in the accounting records and financial statements may impact, a user's understanding of the financial operations, the ability to make sound financial decisions, the ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Council.

We recommend the Village adopt policies and procedures to identify and correct errors and omissions. The Fiscal Officer should review the Ohio Village Handbook, Uniform Accounting Network (UAN) Manual, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and disbursements. Additionally, the Council should perform periodic reviews of the receipt and disbursement ledgers to help identify errors and/or irregularities.

**VILLAGE OF PEMBERVILLE
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDING NUMBER 2016-002

Material Weakness – Governmental Accounting Standards Board (GASB) Statement No. 54

Governmental Accounting Standards Board (GASB) Statement No. 54 introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. In accordance with GASB Cod. 1800.176, when the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

The 2017 and 2016 permanent appropriation measures for the General Fund exceeded estimated receipts as follows:

	2017	2016
Estimated Receipts	\$494,139	\$535,820
Appropriations	512,550	749,465
Reserve for Encumbrances	4,243	6,162
Deficit	\$22,654	\$219,807

Due to an insufficiency of monitoring by management all of the General Fund's balance was recognized as Assigned instead of just the deficit noted above.

Adjustments were recorded to the 2016 and 2015 financial statements to change the above differences in fund balance classification.

Additionally, we noted fund balance in the Park Special Revenue Fund was reported as Committed in each year of the audit period, instead of as Restricted. We also reclassified these amounts, totaling \$5,236 in 2015 and \$5,095 in 2016.

In order to help ensure the Village's fund balances are reported in accordance with GASB 54, we recommend the Officials review and follow Auditor of State Bulletin 2011-004.

Officials’ Response:

We did not receive a response from Officials to the findings reported above.



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
MARCH 20, 2018