



**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



Mary Taylor, CPA
Auditor of State

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	10
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	14
Statement of Cash Receipts, Disbursements and Changes in Cash - Basis Fund Balances – Governmental Funds	15
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – General Fund	16
Statement of Cash Basis Assets and Fund Balances - Proprietary Fund	17
Statement of Cash Receipts, Disbursements and Changes in Cash - Basis Fund Balances – Proprietary Fund	18
Notes to the Basic Financial Statements	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33
Schedule of Findings.....	35

This page intentionally left blank.



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, 2005, 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 opinion.

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, 2005, 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.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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, 2005
(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, 2005, 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 2005 are as follows:

- Net assets of governmental activities increased \$73,142, or 16.2 percent, a slight change from the prior year.
- The Village's general receipts are primarily lodging and kWh taxes. These receipts represent respectively 10.7 and 31.8 percent of the total cash received for governmental activities during the year.
- The Electric operation, the Village's lone business-type activity, purchased a distribution system this year which added electrical customers and expenses for things such as a utility billing computer and programming.
- Menard, Inc. was annexed into the Village which put into process the building of water and sewer infrastructure, adding an additional water tower, and electric connections.

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 Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

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 2005, 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 property and other local 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 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 service. Business-type activities are financed by a fee charged to the customers receiving the service and by kWh tax collections.

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.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

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 major governmental funds are the General Fund and The Menard Water & Sewer Line Extension Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has one enterprise fund, the Electric Operating Fund.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	\$ 524,630	\$ 451,488	\$ 67,683	\$ 286,333	\$ 592,313	\$ 737,821
Total Assets	<u>\$ 524,630</u>	<u>\$ 451,488</u>	<u>\$ 67,683</u>	<u>\$ 286,333</u>	<u>\$ 592,313</u>	<u>\$ 737,821</u>
Net Assets						
Restricted for:						
Debt Service	\$ 450				\$ 450	
Capital Outlay	14,572	\$ 2,404			14,572	\$ 2,404
Other Purposes	9,975	5,648			9,975	5,648
Unrestricted	499,633	443,436	\$ 67,683	\$ 286,333	567,316	729,769
Total Net Assets	<u>\$ 524,630</u>	<u>\$ 451,488</u>	<u>\$ 67,683</u>	<u>\$ 286,333</u>	<u>\$ 592,313</u>	<u>\$ 737,821</u>

As mentioned previously, net assets of governmental activities increased \$73,142 or 16.2 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Slight increases in personal property tax.
- Slight increases in kWh tax from Chase Brass: change in costs of electric
- Increase in interest income.
- Slight increases in special revenues.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

Net assets of business-type activities decreased by \$218,650 or 76.4% during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- In 2005, the Village expanded its municipal electric operation with the purchase of a \$200,000 distribution system.
- Increased expenses associated with the ownership of the new lines included paying for installation of a master meter, monthly service agreement fees, a utility billing computer, and utility software and programming fees.

Table 2 reflects the changes in net assets on a cash basis in 2005 and 2004 for governmental activities, business-type activities, and total primary government.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Receipts:						
Program Receipts:						
Charges for Services and Sales			\$ 4,142,014	\$ 3,841,929	\$ 4,142,014	\$ 3,841,929
Operating Grants & Contributions	\$ 4,184	2,635			4,184	2,635
Total Program Receipts	<u>4,184</u>	<u>2,635</u>	<u>4,142,014</u>	<u>3,841,929</u>	<u>4,146,198</u>	<u>3,844,564</u>
General Receipts:						
Property and Other Local Taxes	329,877	304,830	4,994		334,871	304,830
Grants & Entitlements Not Restricted to Specific Programs	10,711	10,074			10,711	10,074
Interest	12,873	4,795			12,873	4,795
Miscellaneous	900	1,227			900	1,227
Total General Receipts	<u>354,361</u>	<u>320,926</u>	<u>4,994</u>		<u>359,355</u>	<u>320,926</u>
Other Financing Sources:						
Proceeds from Loan	361,162				361,162	
Total Receipts	<u>719,707</u>	<u>323,561</u>	<u>4,147,008</u>	<u>3,841,929</u>	<u>4,866,715</u>	<u>4,165,490</u>
Disbursements:						
General Government	101,441	72,390			101,441	72,390
Public Health Services	4,025	3,594			4,025	3,594
Basic Utilities	147,235	137,785			147,235	137,785
Capital Outlay	360,054	26,908			360,054	26,908
Principal Retirement	15,853	15,853			15,853	15,853
Interest and Fiscal Charges	17,957	18,000			17,957	18,000
Electric			4,365,658	3,781,455	4,365,658	3,781,455
Total Disbursements	<u>646,565</u>	<u>274,530</u>	<u>4,365,658</u>	<u>3,781,455</u>	<u>5,012,223</u>	<u>4,055,985</u>
Increase (Decrease) in Net Assets	73,142	49,031	(218,650)	60,474	(145,508)	109,505
Net Assets, January 1, 20CY	451,488	402,457	286,333	225,859	737,821	628,316
Net Assets, December 31, 20CY	<u>\$ 524,630</u>	<u>\$ 451,488</u>	<u>\$ 67,683</u>	<u>\$ 286,333</u>	<u>\$ 592,313</u>	<u>\$ 737,821</u>

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

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, 46 percent are local taxes. One half or 50 percent of receipts is 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, and interest make up the balance of the Village's general receipts (3 percent).

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 22.9 and 56 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 15 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
	2005	2005	2004	2004
General Government	\$ 101,441	\$ 101,441	\$ 72,390	\$ 72,390
Public Health Services	4,025	4,025	3,594	3,594
Basic Utilities	147,235	147,235	137,785	137,785
Transportation		(4,184)		(2,635)
Capital Outlay	360,054	360,054	26,908	26,908
Principal Retirement	15,853	15,853	15,853	15,853
Interest & Fiscal Charges	17,957	17,957	18,000	18,000
Total Expenses	\$ 646,565	\$ 642,381	\$ 274,530	\$ 271,895

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

The dependence upon other (lodging & kWh) tax receipts is apparent as over 42.5 percent of governmental activities are supported through these general receipts.

\$361,162 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; with the exception of 2005.

This year, however, the Village purchased Montpelier-owned electric poles located within Holiday City at the cost of \$200,000. Up to this purchase, the Village's only electric customer was the Chase Brass Company. In addition, the Village paid \$28,395 for a master electric metering system to be located at the edge of town. As for other expenses, according to the Operating & Maintenance Service Agreement with the Village of Montpelier, the Village will pay \$3,000 each month plus any additional cost for servicing the lines (parts / labor). And since the Village did not previously own a Utility Billing Computer or software, those were also purchased this year as part of the start-up.

The Government's Funds

Total governmental funds had receipts and other financing sources of \$719,707 and disbursements of \$646,565, not including transfers. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$56,197 as the result of slight increases in many areas.

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 2005, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts by 8 percent due to an increase in real/personal and kWh tax collections, and interest. The difference between final budgeted receipts and actual receipts was not significant.

Final budgeted disbursements, which changed very little from the original amounts, were \$770,649 while actual disbursements were \$299,179. The Village spent much less than anticipated for capital outlay. The Village kept spending very close to budgeted amounts in other areas as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Capital Assets

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

VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)

Debt

At December 31, 2005, the Village's outstanding debt included \$380,000 in general obligation bonds issued for the building of Village Hall; \$96,578 on the Ohio Public Works Commission loan for Selwyn Drive/M-50 water/sewer infrastructure; and \$361,162 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 10 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.

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 Government's finances and to reflect the Government'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, 2005*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$524,930</u>	<u>\$67,683</u>	<u>\$592,613</u>
<i>Total Assets</i>	<u><u>\$524,930</u></u>	<u><u>\$67,683</u></u>	<u><u>\$592,613</u></u>
 Net Assets			
Restricted for:			
Capital Projects	\$14,572		\$14,572
Debt Service	450		450
Other Purposes	9,975		9,975
Unrestricted	<u>499,633</u>	<u>\$67,683</u>	<u>567,316</u>
<i>Total Net Assets</i>	<u><u>\$524,630</u></u>	<u><u>\$67,683</u></u>	<u><u>\$592,313</u></u>

See accompanying notes to the financial statements

This page intentionally left blank.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities		
General Government	\$101,441	
Public Health Services	4,025	
Basic Utility Services	147,235	
Transportation		\$4,184
Capital Outlay	360,054	
Debt Service:		
Principal	15,853	
Interest	17,957	
<i>Total Governmental Activities</i>	646,565	4,184
Business Type Activities		
Electric Operating	4,365,658	4,142,014
<i>Total Business Type Activities</i>	4,365,658	4,142,014
Total	\$5,012,223	\$4,142,014

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

Governmental Activities	Business-Type Activities	Total
(\$101,441)		(\$101,441)
(4,025)		(4,025)
(147,235)		(147,235)
4,184		4,184
(360,054)		(360,054)
(15,853)		(15,853)
(17,957)		(17,957)
(642,381)		(642,381)
	(223,644)	(223,644)
	(223,644)	(223,644)
(642,381)	(223,644)	(866,025)
24,372		24,372
305,505	4,994	310,499
10,711		10,711
361,162		361,162
12,873		12,873
900		900
715,523	4,994	720,517
73,142	(218,650)	(145,508)
451,488	286,333	737,821
\$524,630	\$67,683	\$592,313

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	General	Menard Water/Sewer Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$499,633	\$12,325	\$12,672	\$524,630
<i>Total Assets</i>	<u>\$499,633</u>	<u>\$12,325</u>	<u>\$12,672</u>	<u>\$524,630</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$1,158	\$385		\$1,543
Unreserved:				
Undesignated, Reported in:				
General Fund	498,475			498,475
Special Revenue Funds			\$9,975	9,975
Debt Service Fund			450	450
Capital Projects Funds		11,940	2,247	14,187
<i>Total Fund Balances</i>	<u>\$499,633</u>	<u>\$12,325</u>	<u>\$12,672</u>	<u>\$524,630</u>

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, 2005*

	General	Menard Water/Sewer Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$329,877			\$329,877
Intergovernmental	10,711		\$4,184	14,895
Interest	12,730		143	12,873
Miscellaneous	900			900
<i>Total Receipts</i>	<u>354,218</u>		<u>4,327</u>	<u>358,545</u>
Disbursements				
Current:				
General Government	101,441			101,441
Public Health Services	4,025			4,025
Basic Utility Services	147,235			147,235
Capital Outlay	1,467	\$358,430	157	360,054
Debt Service:				
Principal Retirement			15,853	15,853
Interest and Fiscal Charges		407	17,550	17,957
<i>Total Disbursements</i>	<u>254,168</u>	<u>358,837</u>	<u>33,560</u>	<u>646,565</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>100,050</u>	<u>(358,837)</u>	<u>(29,233)</u>	<u>(288,020)</u>
Other Financing Sources (Uses)				
Other Debt Proceeds		361,162		361,162
Transfers In		10,000	33,853	43,853
Transfers Out	(43,853)			(43,853)
<i>Total Other Financing Sources (Uses)</i>	<u>(43,853)</u>	<u>371,162</u>	<u>33,853</u>	<u>361,162</u>
<i>Net Change in Fund Balances</i>	56,197	12,325	4,620	73,142
Fund Balances Beginning of Year	443,436		8,052	451,488
<i>Fund Balances End of Year</i>	<u><u>\$499,633</u></u>	<u><u>\$12,325</u></u>	<u><u>\$12,672</u></u>	<u><u>\$524,630</u></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, 2005*

	<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	\$311,661	\$329,462	\$329,877	\$415
Intergovernmental	10,752	10,640	10,711	71
Interest	4,800	11,808	12,730	922
Miscellaneous		900	900	
<i>Total Receipts</i>	<u>327,213</u>	<u>352,810</u>	<u>354,218</u>	<u>1,408</u>
Disbursements				
Current:				
General Government	182,214	192,766	102,004	90,762
Public Health Services	4,000	4,025	4,025	
Basic Utility Services	142,000	148,585	147,830	755
Capital Outlay	408,582	381,420	1,467	379,953
<i>Total Disbursements</i>	<u>736,796</u>	<u>726,796</u>	<u>255,326</u>	<u>471,470</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(409,583)</u>	<u>(373,986)</u>	<u>98,892</u>	<u>472,878</u>
Other Financing Uses				
Transfers Out	<u>(33,853)</u>	<u>(43,853)</u>	<u>(43,853)</u>	
<i>Net Change in Fund Balance</i>	(443,436)	(417,839)	55,039	472,878
<i>Fund Balance Beginning of Year</i>	441,774	441,774	441,774	
Prior Year Encumbrances Appropriated	<u>\$1,662</u>	<u>1,662</u>	<u>1,662</u>	
<i>Fund Balance End of Year</i>	<u><u>\$25,597</u></u>	<u><u>\$25,597</u></u>	<u><u>\$498,475</u></u>	<u><u>\$472,878</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, 2005*

	<u>Business-Type Activities</u>
	<u>Electric Operating Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$67,683</u>
<i>Total Assets</i>	<u><u>\$67,683</u></u>
Net Assets	
Unrestricted	<u>\$67,683</u>
<i>Total Net Assets</i>	<u><u>\$67,683</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, 2005*

	Business-Type Activities
	Electric Operating Fund
Operating Receipts	
Charges for Services	\$4,142,014
Operating Disbursements	
Contractual Services	4,131,256
Materials and Supplies	5,862
Other	145
<i>Total Operating Disbursements</i>	4,137,263
<i>Operating Income</i>	4,751
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	4,994
Capital Outlay	(228,395)
<i>Total Non-Operating Receipts/(Disbursements)</i>	(223,401)
<i>Net Loss</i>	(218,650)
Net Assets Beginning of Year	286,333
<i>Net Assets End of Year</i>	\$67,683

See accompanying notes to the financial statements

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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 7 to the financial statements provide 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, 2005
(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, 2005
(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 following are the Village's major governmental funds:

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.

Menard Water and Sewer Line Extension Fund - The Menard Water & Sewer Line Extension Fund is a capital projects fund established to account for the revenues and expenditures related to the construction of the water and sewer line extensions to the Menard warehouse and business complex.

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.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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.

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 2005, 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, 2005.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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, 2005.

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 2005 was \$12,730 which includes \$3,603 assigned from other Village funds.

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 8 and 9, 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.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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

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. Fund balance reserves have been established for encumbrances.

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 – CHANGE IN BASIS OF ACCOUNTING

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There are no adjustments to beginning fund balances since the basis of accounting has not changed.

NOTE 4 – 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). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,158 for the general fund.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – 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;
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).

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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, 2005, the Village had \$151,774 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.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after April 1, 2004, 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.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after April 1, 2005, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 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, 2005, was \$1.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$226,460
Agricultural	219,330
Commercial/Industrial/Mineral	3,559,650
Tangible Personal Property	
Business	8,423,910
Public Utility	301,140
Total Assessed Value	<u><u>\$12,730,490</u></u>

NOTE 7 – RISK MANAGEMENT

Risk Pool Membership

The Government 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").

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.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

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:

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</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 8 – 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.

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.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 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, 2005, 2004, and 2003, were \$5,091, \$3,534, and \$3,164 respectively. The full amount has been contributed for 2005, 2004, and 2003.

NOTE 9 - 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal 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 8.00 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. 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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$2,132. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 – DEBT

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

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2003 Issue	4.5%	\$390,000		\$10,000	\$380,000	\$10,000
2002 Ohio Public Works						
Commission Loan	0%	102,431		5,853	96,578	5,853
2005 Ohio Water						
Development Authority Loan	3%		\$361,162		361,162	
Total Governmental Activities		<u>\$492,431</u>	<u>\$361,162</u>	<u>\$15,853</u>	<u>\$837,740</u>	<u>\$15,853</u>

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 Village hall with final maturity in 2023.

The 2002 Ohio Public Works Commission loan relate 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.

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 \$361,162 at December 30, 2005 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
2006	\$10,000	\$17,100	\$5,853
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
2011–2115	90,000	62,325	29,266
2016–2020	125,000	39,150	29,266
2021–2023	95,000	8,775	8,781
Totals	<u>\$380,000</u>	<u>\$189,900</u>	<u>\$96,578</u>

**VILLAGE OF HOLIDAY CITY
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 – DEBT – (CONTINUED)

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 11 – INTERFUND TRANSFERS

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Menard Water/Sewer Capital Project Fund	\$10,000
Village Hall Bond Retirement Fund	28,000
OPWC Loan Retirement Fund	<u>5,853</u>
Total Transfers from the General Fund	<u>\$43,853</u>

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. The transfer to the Menard Water/Sewer Capital Project Fund was made to finance engineering design costs for the water tower and the water/sewer line extension.

NOTE 12 – 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 2005, as a result of this contract, the Village paid \$3,944,872 to AMP – Ohio.

This page intentionally left blank.



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, the business-type 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, 2005, 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 revised its statement presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition listed above to be a material weakness. In a separate letter to the Village's management dated November 1, 2007, we reported other matters involving internal control over financial reporting which we did not deem to be reportable conditions.

Compliance and Other Matters

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

We 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, 2005

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

FINDING NUMBER 2005-001

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 95 percent of the total revenues recorded in the electric fund during 2005.

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.



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**