



**VILLAGE OF PIONEER
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

VILLAGE OF PIONEER
WILLIAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Pioneer
Williams County
205 South State Street
Pioneer, Ohio 43554-9657

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pioneer, 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pioneer, Williams County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Fire Levy, and Economic Development Funds thereof for the year then ended in conformity with the basis of accounting Note 1 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 Statement – and Management's Discussion and Analysis – for State and Local Government*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 8, 2006

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

This discussion and analysis of the Village of Pioneer'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 modified 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 by \$122,650 or 18 percent, a significant change from the prior year. The funds most affected by the increase include the General Fund due to the receipt of an Economic Development Grant from the State of Ohio and the Street Debt Service Fund that receives special assessments from Village residents for the retirement of debt issued for the construction and maintenance of various Village streets.
- The Village's general cash receipts are primarily municipal income tax, property and other local taxes and grants and entitlements not restricted to specific programs. These receipts represent 35 percent, 30 percent and 29 percent respectively of the Village's general cash receipts.
- The Village received an Economic Development Grant from the State of Ohio in the amount of \$280,000. The Village disbursed approximately \$125,000 of this grant from governmental activities and \$155,000 of this grant from business type activities towards improvements made to Clark Street and to Coreway Drive.
- The Business-Type Activities show an increase of \$220,797 or 18 percent in net assets from the prior year. The funds most affected by the increase were the Electric and Sanitary Sewer Funds. The Village approved in 2005 an increase in rates charged for electric service and significant expenditures for wastewater system improvements were made in 2004.
- The Village of Pioneer acquired an additional \$1,000,000 loan with American Municipal Power – Ohio, Inc. (AMP-Ohio) for the purpose of providing financing for the acquisition and installation of electrical system improvements. The total amount of financing obtained from AMP-Ohio at December 31, 2005 was \$3,075,000

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 modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

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 (major funds) in separate columns. All other non-major funds are presented in total in a single column. 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

Reporting the Village as a Whole

This annual report includes all activities for which Pioneer Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of Pioneer Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2005 within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program 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 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 modified 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 non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we report government activities which include fire, police, streets, and parks. Local taxes and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

Reporting the Village's Most Significant Funds

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

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, Economic Development Fund, and the Fire Levy Fund.

Proprietary Funds

The Village maintains proprietary funds. Enterprise funds use the same basis of accounting (modified cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village in the entity-wide statements. The Village uses enterprise funds to account for its Water Fund, Sanitary Sewer Fund, Electric Fund, Refuse Fund and the Meter Deposit Fund which are deemed major funds.

The Village as a Whole

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

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities	
	2004	2005	2004	2005
Assets				
Cash and Cash Equivalents	\$ 664,902	\$ 787,552	\$ 964,651	\$ 1,185,448
Total Assets	<u>\$ 664,902</u>	<u>\$ 787,552</u>	<u>\$ 964,651</u>	<u>\$ 1,185,448</u>
Net Assets				
Restricted for:				
Debt Service	\$ 11,658	\$ 22,448		
Other Purposes	433,379	462,353		
Unrestricted	219,865	302,751	\$ 964,651	\$ 1,185,448
Total Net Assets	<u>\$ 664,902</u>	<u>\$ 787,552</u>	<u>\$ 964,651</u>	<u>\$ 1,185,448</u>

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

As mentioned previously, net assets of governmental activities increased \$122,650 or 18 percent during 2005. The primary reason contributing to the increase in cash balances was that the Village was awarded an Economic Development Grant through the Ohio Department of Development for \$280,000.

Net assets of the business-type activities increased by \$220,797 or 23 percent in 2005. The primary reasons contributing to the increase in the cash balance can be attributed to the Village not making a principal payment towards their AMP-Ohio Bond Anticipation Note in 2005.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	Total
Cash Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 103,258	\$ 3,079,270	\$ 3,182,528
Operating Grants and Contributions	69,790	162,934	232,724
Capital Grants and Contributions	55,028		55,028
Total Program Cash Receipts	<u>228,076</u>	<u>3,242,204</u>	<u>3,470,280</u>
General Receipts:			
Property and Other Local Taxes	302,751		302,751
Municipal Income Taxes	354,312		354,312
Grants and Entitlements Not Restricted to Specific Programs	289,361		289,361
Investment Receipts	30,003		30,003
Miscellaneous	21,369	3,313	24,682
Total General Cash Receipts	<u>997,796</u>	<u>3,313</u>	<u>1,001,109</u>
Total Cash Receipts	<u>1,225,872</u>	<u>3,245,517</u>	<u>4,471,389</u>
Disbursements:			
General Government:			
Security of Persons & Property	\$ 307,269		307,269
Public Health	12,696		12,696
Leisure Time Activities	49,530		49,530
Community Environment	31,930		31,930
Transportation	331,013		331,013
General Government	186,126		186,126
Capital Outlay	55,028		55,028
Debt Service:			
Principal Retirement	265,300		265,300
Interest and Fiscal Charges	14,330		14,330
Water Fund		222,523	222,523
Sanitary Sewer Fund		563,092	563,092
Electric Fund		2,666,077	2,666,077
Refuse Fund		48,728	48,728
Meter Deposit Fund		9,300	9,300
Total Disbursements	<u>1,253,222</u>	<u>3,509,720</u>	<u>4,762,942</u>

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

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

	Governmental Activities 2005	Business-Type Activities 2005	Total
Sale of Fixed Assets		85,000	85,000
Proceeds from the Sale of Notes	150,000	300,000	450,000
Special Item - Lawsuit settlement proceeds		100,000	100,000
Change in Net Assets	122,650	220,797	343,447
Net Assets, January 1, 2005	664,902	964,651	1,629,553
Net Assets, December 31, 2005	<u>\$ 787,552</u>	<u>\$ 1,185,448</u>	<u>\$ 1,973,000</u>

Governmental Activity Receipts

Program cash receipts in the governmental activities represent only 18 percent of total governmental cash receipts. These program cash receipts are primarily comprised of charges for services (i.e. Fire service contracts with local Townships, rental of community building and rental of farm ground owned by the Village), operating grants and contributions (i.e. gasoline taxes, auto license taxes and permissive motor vehicle license taxes), and capital grants and contributions (i.e. Federal Emergency Management Agency grant received for fire department.)

General cash receipts in the governmental activities represent 82 percent of the Village's total governmental receipts, and of this amount, 65 percent is from property and other local property taxes and municipal income taxes. Grants and entitlements not restricted to specific programs comprise 29 percent of the balance of the Village's governmental general cash receipts. Other receipts are very insignificant (6 percent) and somewhat unpredictable revenue sources.

Business-Type Activity Receipts

In the business-type activities, program cash receipts account for 86 percent of the total business-type receipts and are also primarily comprised of charges for services (i.e. water, electric, sewer, refuse and meter deposit charges).

General cash receipts for the business-type activities represent 14 percent of the Village's total cash receipts, and of this amount 61 percent is note proceeds for sanitary sewer improvements, 20 percent represents a refund from AMP Ohio for overcharges of electric services provided to the Village from 2000 through 2005 and 17 percent is proceeds from the sale of two bucket trucks used by the electric department.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

Governmental Activity Disbursements

Three of the eight major funds for the Village of Pioneer are governmental funds. The disbursements of the General Fund are for purposes of paying for police and fire protection; maintaining the community building, and wages for the legislative body and finance department. The disbursements for the Fire Levy Fund are for the acquisition and maintenance of Fire Equipment. The disbursements of the Economic Development Loan fund are to provide low interest loans to local businesses. The remaining non-major governmental funds are considered special revenue and debt service funds. Special revenue funds expend monies to maintain Village streets and bridges and to maintain the cemetery. The Debt Service Fund expends monies toward Village debt that was obtained for street projects.

Business-Type Activity Disbursements

The five remaining major funds for the Village of Pioneer are considered to be of a business-type nature. The disbursements of the Water Fund are for purposes of maintaining water lines; treatment of the water; and paying for wages of the department. The disbursements for the Electric Fund are for purposes of building and maintaining electrical lines; purchasing of electrical power; purchasing of equipment; and paying for salaries and wages of the department. The disbursements of the Sanitary Sewer Fund are for purposes of maintaining the sewer plant, maintaining the sewer lines within the Village and paying for wages of the department. The disbursements of the Refuse Fund are for collection and disposing the residents' garbage and recycling. The disbursements of the Meter Deposit Fund are to refund utility customers deposits at the time their accounts are closed.

Governmental Activities

If you look at the Statement of Activities (the Statement), 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 transportation, security of persons and property, debt service principal retirement and general government which account for 26 percent, 25 percent, 21 percent and 15 percent of all governmental disbursements. On the Statement, column three under "Program Cash Receipts" identifies amounts paid by those departments that charge fees for their services they provide to Village residents. Column three and four on the Statement identifies amounts paid by grants received by the Village that must be used to provide a specific service. The Net (Cash Disbursement) Cash Receipt 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.

Business-Type Activities

The major program disbursements for business-type activities are contractual services, debt service, personal services and capital outlay which accounts for 63 percent, 13 percent, 11 percent and 7 percent respectively of all business-type activities. The columns documented under "Program Cash Receipts" on the Statement of Activities and the column documented net Receipt (Disbursement) are the same as mentioned under Governmental Activities. A comparison between the total cost of services and the new cost is presented in Table 3.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

(Table 3)

	Governmental Activities		Business-Type Activities	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2005	2005
General Government:				
Security of Persons and Property	\$307,269	\$277,914		
Public Health Services	12,696	(1,111)		
Leisure Time Activities	49,530	33,495		
Community Environment	31,930	31,540		
Transportation	331,013	247,771		
General Government	186,126	155,907		
Capital Outlay	55,028			
Debt Service:				
Principal Retirement	265,300	265,300		
Interest and Fiscal Charges	14,330	14,330		
Water Fund			\$222,523	(\$3,157)
Sanitary Sewer Fund			563,092	210,311
Electric Fund			2,666,077	59,565
Refuse Fund			48,728	1,548
Meter Deposit Fund			9,300	(751)
	<u>\$1,253,222</u>	<u>\$1,025,146</u>	<u>\$3,509,720</u>	<u>\$267,516</u>

The dependence upon property taxes, municipal income taxes and grants and entitlements not restricted for specific programs are apparent as approximately 81 percent of Governmental activities are supported through these general receipts.

The dependence upon charges for services for water, sanitary sewer, electric, and refuse is apparent as approximately 92 percent of business-type activities are supported through program receipts.

Village's Funds

Governmental Funds

Total government funds had receipts and other financing sources of \$1,375,872 and disbursements of \$1,253,222. The greatest change within governmental funds occurred within the General Fund. This fund received \$125,000 of the \$280,000 of the Economic Development Grant from the State of Ohio that was used for the improvement of Clark and Conroy Streets.

Business-Type Funds

Total business-type funds had receipts and other financing sources of \$3,730,517 and disbursements of \$3,509,720. The greatest change within governmental funds occurred within the Electric fund. This was due to the Village was not required to remit a principal payment on their AMP-Ohio loan.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

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

Governmental 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 funds are the General Fund, Fire Fund and the Economic Development Fund.

During 2005, the Village amended its final budgeted revenues for the receipt of additional unanticipated intergovernmental revenues. The remaining original budgets of the General Fund, Fire Fund or the Economic Development Fund were not amended.

General Fund actual receipts and other financing sources exceeded final budgeted amounts by \$246,810 mainly due to the receipt of deregulation and economic development monies. General Fund actual disbursements and other financing uses were \$71,654 lower than final budgeted amounts mainly due to the fact that no interfund transfers were made out of the General fund in 2005.

Fire Levy Fund final budgeted expenditures exceeded actual disbursements by \$62,285. Debt amounts retired were less than anticipated.

Economic Development Fund final budgeted expenditures exceeded actual disbursements and other financing uses by \$207,707. No loans were made in 2005.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

At December 31, 2005, the Village's outstanding debt totaled \$4,046,331, which included \$3,075,000 from AMP Ohio for electric line extensions; \$300,000 Bond Anticipation Noted from the National Bank of Montpelier for waste water system improvements and various other Ohio Pubic Works Commission, and Bond Anticipation notes for the purchase of a fire truck. For further information regarding the Village's debt, refer to Notes 9 and 10 to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Village relies heavily on local taxes and intergovernmental revenues to provide safe and secure neighborhoods through our Police Department and trained and qualified firemen for our Fire Department. The Village also relies heavily on charges for services assessed to utility customers to provide water, sanitary sewer, electric and refuse services to village residents.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Laura Hutchison, Clerk, Pioneer Village, 205 South State Street, Pioneer, Ohio 43554-9657.

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**VILLAGE OF PIONEER
WILLIAMS COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 787,552	\$ 1,185,448	\$ 1,973,000
<i>Total Assets</i>	<u>\$ 787,552</u>	<u>\$ 1,185,448</u>	<u>\$ 1,973,000</u>
Net Assets:			
Restricted for:			
Debt Service	\$ 22,448		22,448
Other Purposes	462,353		462,353
Unrestricted	302,751	1,185,448	1,488,199
<i>Total Net Assets</i>	<u>\$ 787,552</u>	<u>\$ 1,185,448</u>	<u>\$ 1,973,000</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 307,269	\$ 29,355		
Public Health Services	12,696	13,807		
Leisure Time Activities	49,530	16,035		
Community Environment	31,930	390		
Transportation	331,013	13,452	\$ 69,790	
General Government	186,126	30,219		
Capital Outlay	55,028			\$ 55,028
Debt Service:				
Principal Retirement	265,300			
Interest and Fiscal Charges	14,330			
<i>Total Governmental Activities</i>	<u>1,253,222</u>	<u>103,258</u>	<u>69,790</u>	<u>55,028</u>
Business-Type Activities:				
Water	222,523	164,835	60,845	
Sewer	563,092	250,692	102,089	
Electric	2,666,077	2,606,512		
Refuse	48,728	47,180		
Meter Deposit	9,300	10,051		
<i>Total Business-Type Activities</i>	<u>3,509,720</u>	<u>3,079,270</u>	<u>162,934</u>	
Totals	<u><u>\$ 4,762,942</u></u>	<u><u>\$ 3,182,528</u></u>	<u><u>\$ 232,724</u></u>	<u><u>\$ 55,028</u></u>

General Receipts:

Property Taxes Levied For:

- General Purposes
- Fire and Rescue
- Municipal Income Tax
- Grants and Entitlements Not Restricted to Specific Programs
- Investment Receipts
- Sale of Capital Assets
- Proceeds from the Sale of Notes
- Miscellaneous

Total General Receipts

Special Item - Proceeds of a lawsuit settlement

Total General Receipts and Special Items

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Disbursements) Receipts
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (277,914)		\$ (277,914)
1,111		1,111
(33,495)		(33,495)
(31,540)		(31,540)
(247,771)		(247,771)
(155,907)		(155,907)
(265,300)		(265,300)
(14,330)		(14,330)
<u>(1,025,146)</u>		<u>(1,025,146)</u>
	3,157	3,157
	(210,311)	(210,311)
	(59,565)	(59,565)
	(1,548)	(1,548)
	751	751
	<u>(267,516)</u>	<u>(267,516)</u>
<u>(1,025,146)</u>	<u>(267,516)</u>	<u>(1,292,662)</u>
214,020		214,020
88,731		88,731
354,312		354,312
289,361		289,361
30,003		30,003
	85,000	85,000
150,000	300,000	450,000
21,369	3,313	24,682
<u>1,147,796</u>	<u>388,313</u>	<u>1,536,109</u>
	100,000	100,000
<u>1,147,796</u>	<u>488,313</u>	<u>1,636,109</u>
122,650	220,797	343,447
664,902	964,651	1,629,553
<u>\$ 787,552</u>	<u>\$ 1,185,448</u>	<u>\$ 1,973,000</u>

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Fire Levy	Economic Development	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 302,751	\$ 64,378	\$ 195,068	\$ 225,355	\$ 787,552
Total Assets	<u>\$ 302,751</u>	<u>\$ 64,378</u>	<u>\$ 195,068</u>	<u>\$ 225,355</u>	<u>\$ 787,552</u>
Fund Balances:					
Unreserved, Undesignated:					
General Fund	\$ 302,751				\$ 302,751
Special Revenue Funds		\$ 64,378	\$ 195,068	\$ 202,907	462,353
Debt Service Fund				\$ 22,448	22,448
<i>Total Fund Balances</i>	<u>\$ 302,751</u>	<u>\$ 64,378</u>	<u>\$ 195,068</u>	<u>\$ 225,355</u>	<u>\$ 787,552</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND CHANGES IN
MODIFIED CASH FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Fire Levy	Economic Development	Other Governmental Funds	Total Governmental Funds
Receipts:					
Municipal Income Taxes	\$ 354,312				\$ 354,312
Property and Other Local Taxes	214,020	\$ 88,731			302,751
Intergovernmental	268,145	9,555	\$ 11,661	\$ 124,818	414,179
Special Assessments				13,452	13,452
Charges for Services	72,669			6,607	79,276
Fines, Licenses, and Permits	3,182			7,348	10,530
Investment Income	29,679			324	30,003
Miscellaneous	18,006			50	18,056
<i>Total Receipts</i>	<u>960,013</u>	<u>98,286</u>	<u>11,661</u>	<u>152,599</u>	<u>1,222,559</u>
Disbursements:					
Current:					
Security of Persons and Property	307,269				307,269
Public Health Services	3,908			8,788	12,696
Leisure Time Activities	49,530				49,530
Community Environment	31,930				31,930
Transportation	300,342			30,671	331,013
General Government	184,148	1,978			186,126
Capital Outlay				55,028	55,028
Debt Service:					
Principal Retirement		245,000		20,300	265,300
Interest and Fiscal Charges		4,764		9,566	14,330
<i>Total Disbursements</i>	<u>877,127</u>	<u>251,742</u>	<u>11,661</u>	<u>124,353</u>	<u>1,253,222</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>82,886</u>	<u>(153,456)</u>	<u>11,661</u>	<u>28,246</u>	<u>(30,663)</u>
Other Financing Sources:					
Other Financing Sources				3,313	3,313
Proceeds from the Sale of Notes		150,000			150,000
<i>Total Other Financing Sources</i>		<u>150,000</u>		<u>3,313</u>	<u>153,313</u>
Net Change in Fund Balances	82,886	(3,456)	11,661	31,559	122,650
<i>Fund Balances at Beginning of Year</i>	<u>219,865</u>	<u>67,834</u>	<u>183,407</u>	<u>193,796</u>	<u>664,902</u>
<i>Fund Balances at End of Year</i>	<u>\$ 302,751</u>	<u>\$ 64,378</u>	<u>\$ 195,068</u>	<u>\$ 225,355</u>	<u>\$ 787,552</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive(Negative)
Receipts:				
Property and Other Local Taxes	\$ 52,100	\$ 52,100	\$ 214,020	\$ 161,920
Municipal Income Tax	300,000	300,000	354,312	54,312
Intergovernmental	98,145	167,648	268,145	100,497
Charges for Services	152,355	152,355	72,669	(79,686)
Fines, Licenses, and Permits	1,600	1,600	3,182	1,582
Investment Income	14,500	14,500	29,679	15,179
Miscellaneous			18,006	18,006
<i>Total Receipts</i>	<u>618,700</u>	<u>688,203</u>	<u>960,013</u>	<u>271,810</u>
Disbursements:				
Current:				
Security of Persons and Property	398,250	398,250	307,269	90,981
Public Health Services	7,500	7,500	3,908	3,592
Leisure Time Activities	47,000	47,000	49,530	(2,530)
Community Environment	39,800	39,800	31,930	7,870
Transportation	98,000	98,000	300,342	(202,342)
General Government	212,052	212,052	184,148	27,904
<i>Total Disbursements</i>	<u>802,602</u>	<u>802,602</u>	<u>877,127</u>	<u>(74,525)</u>
<i>Excess of Receipts Over/ (Under) Disbursements</i>	<u>(183,902)</u>	<u>(114,399)</u>	<u>82,886</u>	<u>197,285</u>
Other Financing Sources (Uses):				
Transfers-In	25,000	25,000		(25,000)
Transfers-Out	(146,179)	(146,179)		146,179
<i>Total Other Financing Sources (Uses)</i>	<u>(121,179)</u>	<u>(121,179)</u>		<u>121,179</u>
<i>Net Change in Fund Balance</i>	<u>(305,081)</u>	<u>(235,578)</u>	<u>82,886</u>	<u>318,464</u>
<i>Fund Cash Balance at Beginning of Year</i>	<u>219,865</u>	<u>219,865</u>	<u>219,865</u>	
<i>Fund Cash Balance at End of Year</i>	<u>\$ (85,216)</u>	<u>\$ (15,713)</u>	<u>\$ 302,751</u>	<u>\$ 318,464</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -
FIRE LEVY FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive(Negative)
	Original	Final		
Receipts:				
Property and Other Local Taxes	\$ 86,100	\$ 86,100	\$ 88,731	\$ 2,631
Intergovernmental	4,000	4,000	9,555	5,555
<i>Total Receipts</i>	<u>90,100</u>	<u>90,100</u>	<u>98,286</u>	<u>8,186</u>
Disbursements:				
Current:				
General Government	1,000	1,000	1,978	(978)
Debt Service:				
Principal Retirement	303,027	303,027	245,000	58,027
Interest and Fiscal Charges	10,000	10,000	4,764	5,236
<i>Total Disbursements</i>	<u>314,027</u>	<u>314,027</u>	<u>251,742</u>	<u>62,285</u>
<i>Excess of Receipts</i>				
<i>Under Disbursements</i>	<u>(223,927)</u>	<u>(223,927)</u>	<u>(153,456)</u>	<u>70,471</u>
Other Financing Sources:				
Proceeds from the Sale of Notes	150,000	150,000	150,000	
Transfers-In	9,900	9,900		(9,900)
<i>Total Other Financing Sources</i>	<u>159,900</u>	<u>159,900</u>	<u>150,000</u>	<u>(9,900)</u>
<i>Net Change in Fund Balance</i>	<u>(64,027)</u>	<u>(64,027)</u>	<u>(3,456)</u>	<u>60,571</u>
<i>Fund Balance at Beginning of Year</i>	<u>67,834</u>	<u>67,834</u>	<u>67,834</u>	
<i>Fund Balance at End of Year</i>	<u>\$ 3,807</u>	<u>\$ 3,807</u>	<u>\$ 64,378</u>	<u>\$ 60,571</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -
ECONOMIC DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Receipts:				
Investment Income	\$ 1,000	\$ 1,000		\$ (1,000)
Intergovernmental	23,300	23,300	\$ 11,661	(11,639)
<i>Total Receipts</i>	<u>24,300</u>	<u>24,300</u>	<u>11,661</u>	<u>(12,639)</u>
Other Financing Uses:				
Transfers-Out	<u>(207,707)</u>	<u>(207,707)</u>		<u>207,707</u>
<i>Net Change in Fund Balance</i>	(183,407)	(183,407)	11,661	195,068
<i>Fund Balance at Beginning of Year</i>	<u>183,407</u>	<u>183,407</u>	<u>183,407</u>	
<i>Fund Balance at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,068</u>	<u>\$ 195,068</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
DEFIANCE COUNTY**

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31,2005

	Business-Type Activities					
	Water	Sewer	Electric	Refuse	Meter Deposit	Total
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 54,095	\$ 356,671	\$ 720,637	\$ 25,802	\$ 28,243	\$ 1,185,448
<i>Total Assets</i>	<u>\$ 54,095</u>	<u>\$ 356,671</u>	<u>\$ 720,637</u>	<u>\$ 25,802</u>	<u>\$ 28,243</u>	<u>\$ 1,185,448</u>
Net Assets:						
Unrestricted	\$ 54,095	\$ 356,671	\$ 720,637	25,802	28,243	1,185,448
<i>Total Net Assets</i>	<u>\$ 54,095</u>	<u>\$ 356,671</u>	<u>\$ 720,637</u>	<u>\$ 25,802</u>	<u>\$ 28,243</u>	<u>\$ 1,185,448</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-Type Activities					Total
	Water	Sewer	Electric	Refuse	Meter Deposit	
Operating Receipts:						
Charges for Services	\$ 164,835	\$ 250,692	\$ 2,606,512	\$ 47,180		\$ 3,069,219
Operating Disbursements:						
Personal Services	82,073	87,069	202,327			371,469
Travel Transportation	268	248	4,375			4,891
Contractual Services	11,775	23,730	2,116,559	48,728		2,200,792
Materials and Supplies	27,451	31,264	136,017			194,732
<i>Total Operating Disbursements</i>	<u>121,567</u>	<u>142,311</u>	<u>2,459,278</u>	<u>48,728</u>		<u>2,771,884</u>
<i>Operating Income/(Loss)</i>	<u>43,268</u>	<u>108,381</u>	<u>147,234</u>	<u>(1,548)</u>		<u>297,335</u>
Non-Operating Receipts (Disbursements):						
Proceeds from the Sale of Notes		300,000				300,000
Sale of Capital Assets			85,000			85,000
Intergovernmental Revenue	60,845	102,089				162,934
Other Non-Operating Receipts	3,313		100,000		10,051	113,364
Capital Outlay	(51,857)	(47,007)	(159,088)			(257,952)
Debt Service	(49,099)	(373,774)	(45,523)			(468,396)
Other Non-Operating Disbursements			(2,188)		(9,300)	(11,488)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(36,798)</u>	<u>(18,692)</u>	<u>(21,799)</u>		<u>751</u>	<u>(76,538)</u>
<i>Changes in Net Assets</i>	6,470	89,689	125,435	(1,548)	751	220,797
<i>Net Assets at Beginning of Year</i>	<u>47,625</u>	<u>266,982</u>	<u>595,202</u>	<u>27,350</u>	<u>27,492</u>	<u>964,651</u>
<i>Net Assets at End of Year</i>	<u>\$ 54,095</u>	<u>\$ 356,671</u>	<u>\$ 720,637</u>	<u>\$ 25,802</u>	<u>\$ 28,243</u>	<u>1,185,448</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. REPORTING ENTITY

The Village of Pioneer, 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, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, electric, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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. The Village has no component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in three joint venture organizations. Notes 14, 15 & 16 to the financial statements provide additional information for these entities. The organizations are:

Joint Venture Organizations:

Ohio Municipal Electric Generation Agency (OMEGA JV2)
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)
Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

1. REPORTING ENTITY – (Continued)

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 13 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a modified cash basis of accounting. This modified 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 modified 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 modified 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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fund Financial Statements

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

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

B. Fund Accounting

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Village are grouped into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, income taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund – The General fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Economic Development Fund - This fund receives revolving loan repayments to be used for economic development within the Village.

Fire Levy Fund - This fund receives levy money for the retirement of debt issued for fire trucks for the Village.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 following are the Village's major Enterprise funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Refuse Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Meter Deposit Fund – This fund receives deposits obtained from utility customers before utility services are provided by the Village to these customers.

C. Basis of Accounting

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

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

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

E. Cash, Cash Equivalents, 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 (contra revenue), respectively.

During 2005, the Village invested in STAR Ohio. 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 \$29,679 which includes \$24,333 assigned from other Village funds.

F. Inventory and Prepaid Items

On the modified cash-basis of accounting, inventories of supply items are reported as disbursements when purchased.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. Accumulated Leave

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

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long Term Obligations

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These financial statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

K. Net Assets

These statements report restricted net assets when enabling legislation or creditors, grantors, or laws or regulations of other governments have imposed limitations on their use. Net assets restricted for other purposes include resources restricted for fire protection, economic development, streets and cemetery maintenance. The Village first applies restricted sources when incurring a disbursement for which it may use either restricted or unrestricted resources.

L. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods 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 revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

M. Special Items

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

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 modified 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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY – (Continued)

For 2005, the Village has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" which changed the required disclosure regarding risk associated with deposits and investments in the notes to the basic financial statements. The implementation of this statement had no effect on the amounts within the basic financial statements. These additional disclosures are included in Note 6 to the basic financial statements.

4. COMPLIANCE

Contrary to Ohio law, Community Development Block Grant monies received were credited to the General, \$166,324, Water, \$60,845 and Sanitary Sewer funds \$110,852 and \$55,028 in FEMA funds were credited to the General Fund instead of being placed into special funds designated for the specific project funded by the grants.

5. 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, Fire Levy and Economic Development funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no encumbrances outstanding at year end (budgetary basis).

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$351,174 of the Village's bank balance of \$1,759,498 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

Investments

As of December 31, 2005, the Village invested \$241,165 of carrying value and fair market value in STAR Ohio.

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 and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

7. PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Village receives property taxes from Williams County. The County Auditor periodically remits to the Village its portion of the taxes collected.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

7. PROPERTY TAX – (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	Amount	Percent
Agriculture/Residential & Other Real Estate Property	\$ 20,485,650	82%
Public Utility Personal Property	84,360	1%
Tangible Personal Property	4,341,610	17%
Total	\$ 24,911,620	100%
 Tax rate per \$1,000 of Assessed Valuation	7.10	

8. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

9. LONG TERM DEBT

The Village's long term debt obligations at year end consist of the following:

	Balance at 12/31/04	Principal Increase	Principal Decrease	Balance at 12/31/05	Amounts Due in One Year
Governmental Activities:					
Ohio Public Works Commission Loan	\$244,176		\$20,300	\$223,876	\$21,120
Business-Type Activities:					
Bank Loan	25,393		25,393		
OPWC Loans	330,814		33,359	297,455	34,022
Amp Ohio Loan	2,075,000	1,000,000		3,075,000	
Total Business-Type Activities	2,431,207	1,000,000	58,752	3,372,455	34,022
Total Long-Term Obligations	\$ 2,675,383	\$ 1,000,000	\$ 79,052	\$ 3,596,331	\$ 55,142

The Ohio Public Works Commission (OPWC) loans related to improvements made to the water treatment plant, various streets, and storm sewers. The loans will be repaid in semi-annual installments through the year 2019 from the Street Construction, Maintenance, and Repair Fund, Water Fund, and Sewer Fund.

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

9. LONG TERM DEBT – (Continued)

The bank loan was through the National Bank of Montpelier and related to projects for water and street improvements. The loan was to mature in 2006, but the Village paid the loan off early in 2005 from the Water Fund.

The Village entered into a loan agreement with American Municipal Power – Ohio, Inc. (AMP-Ohio) for an amount totaling \$3,700,000 for the purpose of providing financing for the acquisition and installation of electric system improvements.

The Electric Operating Fund is to pay the loan made by AMP-Ohio together with interest thereon equal to the rate(s) of interest on the Electric System Improvement Bond Anticipation Notes (the Notes) to be issued by AMP-Ohio in one or more series, or on notes issued to refund the Notes, or on the Electric System Improvement Bonds to be issued by AMP-Ohio in anticipation of which Bonds the Notes are issued.

On the maturity date of each series of the Notes maturing on or before October 28, 2006, the Village will pay to AMP-Ohio all interest due on the Notes plus any amount of principal up to the original principal amount of such series, and on the maturity date of such series of the Notes plus an amount of principal equal to the amount of principal amount which would be due in the corresponding year on a loan in the original amount of such series, for a term of 20 years, at the interest rate borne by such series of the Notes. The amounts will be repaid from the Electric Fund.

AMP-Ohio will use its best efforts to refinance any remaining principal of any series of the Notes; provided, however, that if AMP-Ohio is unable to refinance any series of the Notes, it shall give the Village and the original purchaser of the Notes 60 days notice of such inability, and the Village shall pay to AMP Ohio all amounts necessary to retire such series of the Notes at maturity.

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

<u>Year Ending</u> <u>December 31:</u>	<u>OPWC Loans</u>
2006	\$70,013
2007	70,013
2008	70,013
2009	70,013
2010	70,013
Subsequent	<u>244,255</u>
Total	<u><u>\$594,320</u></u>

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

10. SHORT TERM DEBT

The Village's short-term debt obligations at year end consist of the following:

	Balance at 12/31/04	Increase	Decrease	Balance at 12/31/05
Governmental Activities:				
Various Purpose Improvements Note, Series 2005	\$245,000		\$245,000	
Various Purpose Improvements Note, Series 2006		\$150,000		\$150,000
Total Governmental Activities	<u>\$ 245,000</u>	<u>\$ 150,000</u>	<u>\$ 245,000</u>	<u>\$ 150,000</u>
Business-Type Activities:				
Various Purpose Improvements Note, Series 2005	350,000		350,000	
Various Purpose Improvements Note, Series 2006		300,000		300,000
Total Business-Type Activities	<u>350,000</u>	<u>300,000</u>	<u>350,000</u>	<u>300,000</u>
Total Long-Term Obligations	<u>\$ 595,000</u>	<u>\$ 450,000</u>	<u>\$ 595,000</u>	<u>\$ 450,000</u>

The Bond Anticipation Notes relate to sanitary sewer improvements and to a fire truck purchase. The notes mature on May 25, 2006 and will be paid from the Fire Levy Fund and Water Funds.

11. DEFINED BENEFIT PENSION PLANS

A. 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) 222-6701 or (800) 222-7377.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

11. DEFINED BENEFIT PENSION PLANS – (Continued)

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. 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 \$41,942, \$36,315, and \$27,820 respectively; 100 percent has been contributed for 2005, 2004, and 2003.

B. *Ohio Police and Fire Pension Fund*

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's contributions to OP&F for police for the years ended December 31, 2005, 2004, and 2003 were \$10,819, \$10,665, and \$9,120 respectively. The full amount has been contributed for 2005, 2004, and 2003.

12. POSTEMPLOYMENT BENEFITS

A. *Ohio Public Employees Retirement System*

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit 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 (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

12. POSTEMPLOYMENT BENEFITS – (Continued)

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, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 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 Village contributions for 2005 which were used to fund postemployment benefits were \$17,568. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. 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.

B. *Ohio Police and Fire Pension Fund*

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

12. POSTEMPLOYMENT BENEFITS – (Continued)

The Village's actual contributions for 2005 that were used to fund postemployment health care benefits were \$7,136 for police. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters

13. RISK POOL 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.

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:

	<u>2005</u>	<u>2004</u>
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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

14. JV5 JOINT VENTURE

The Village is a Financing Participant with an ownership percentage of .76 %, 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-Ohio.

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, 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, 2005, the Village 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-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$70,543 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

15. JV2 JOINT VENTURE

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .86% 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-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$381,602 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2005 are:

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

15. JV2 JOINT VENTURE – (Continued)

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

16. JV6 JOINT VENTURE

The Village is a Financing Participant with an ownership percentage of 1.39 % and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can chose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four wind turbines near Bowling Green, Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) 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 JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

16. JV6 JOINT VENTURE – (Continued)

Participant’s respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, and charges including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004, the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date thereof constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participants interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant’s Project share (“Step Up Power”).

OMEGA JV6 is managed by AMP-Ohio which acts as the joint venture’s agent. On July 30, 2004 AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project.

The Village’s net investment to date in OMEGA JV6 was \$122,501 at December 31, 2005. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor’s website at www.auditor.state.oh.us.

The ten participating subdivisions and their respective ownership shares at December 31, 2005 are:

Participant	KW Amount	% of Financing
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00%
Napoleon	300	4.17%
Oberlin	250	3.47%
Wadsworth	250	3.47%
Edgerton	100	1.39%
Elmore	100	1.39%
Montpelier	100	1.39%
Pioneer	100	1.39%
Monroeville	100	1.39%
	7,200	100.00%
	7,200	100.00%

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Pioneer
Williams County
205 South State Street
Pioneer, Ohio 43554-9657

To the Village Council:

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pioneer, 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 September 8, 2006, in which we disclosed 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*. 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. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 8, 2006, we reported other matters involving internal control over financial reporting we did not deem 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated September 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 8, 2006

VILLAGE OF PIONEER
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

NONCOMPLIANCE CITATION

Ohio Revised Code § 5705.10 requires that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose.

Community Development Block Grant monies received were credited to the General Fund \$166,324, the Water Fund \$60,845, and the Sanitary Sewer Fund \$110,852. These grant monies should have been placed into a special fund designated for the specific project funded by the grants.

Federal Emergency Management Agency Grant monies of \$55,028 were credited to the General Fund. These grant monies should have been placed into a special fund designated for the specific project funded by the grant.

Improper reporting of revenue could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers so that the Council can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process Village officials should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

An audit adjustment was recorded to place monies into a special fund.

Official's Response:

Management did not respond to this finding.

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VILLAGE OF PIONEER
WILLIAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	No estimated revenues were posted into the computerized ledgers	Yes	Corrected



**Auditor of State
Betty Montgomery**

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VILLAGE OF PIONEER

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
OCTOBER 5, 2006**