



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF PIONEER  
WILLIAMS COUNTY

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# Mary Taylor, CPA

Auditor of State

## 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, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pioneer, Williams County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General and Economic Development funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

September 12, 2008

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

The discussion and analysis of the Village of Pioneer's (the Village) financial performance provides an overview of the Village's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the Village's financial performance as a whole, within the limitations of the cash basis of accounting.

**Using this Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under the Village's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds, with all other nonmajor funds presented in total in a single column. The Village's major funds are the General, Economic Development, OPWC Sanitary Sewer Improvement, Sewer, and Electric funds.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at fiscal year end. The statement of activities compares cash disbursements with program receipts for each department of the Village's governmental and business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest 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 department draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Factors which contribute to these changes may also include the Village's property tax base and other factors.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

In the statement of net assets and the statement of activities, the Village is divided into two distinct types of activities:

**Governmental Activities** - Most of the Village's programs and services are reported here including general government, security of persons and property, public health, leisure time activities, community environment, basic utility services, and transportation. These services are funded primarily by taxes and intergovernmental receipts, including federal and state grants and other shared receipts.

**Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The Village's sewer, electric, water, and refuse services are reported here.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds, the General, Economic Development, Sewer, and Electric funds. While the Village uses many funds to account for its financial transactions, these are the most significant.

**Governmental Funds** - The Village's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the Village's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services being provided.

**Proprietary Funds** - Enterprise funds are used to report the operating activity of the business-type activities on the government-wide financial statements.

**Government-Wide Financial Analysis**

Table 1 provides a summary of the Village's net assets for 2006 and 2005.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b><u>Assets</u></b>						
Current and Other Assets	\$750,133	\$787,552	\$1,339,273	\$1,185,448	\$2,089,406	\$1,973,000
<b><u>Net Assets</u></b>						
Restricted	\$530,213	\$484,801			\$530,213	\$484,801
Unrestricted	219,920	302,751	\$1,339,273	\$1,185,448	1,559,193	1,488,199
Total Net Assets	\$750,133	\$787,552	\$1,339,273	\$1,185,448	\$2,089,406	\$1,973,000



**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

Although there was a decrease in net assets for governmental activities, the change was not significant (4.8 percent). The increase in net assets for business-type activities was almost 13 percent. Although neither receipts nor disbursements changed significantly from the prior year for business-type activities, the continued excess of receipts over disbursements provided for the increase in net assets.

Table 2 reflects the change in net assets for 2006 and 2005.

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<u>Receipts</u>						
Program Receipts						
Charges for Services	\$87,124	\$103,258	\$3,348,335	\$3,079,270	\$3,435,459	\$3,182,528
Operating Grants, Contributions, and Interest	88,471	69,790		162,934	88,471	232,724
Capital Grants, Contributions, and Interest	197,666	55,028				55,028
<b>Total Program Receipts</b>	<b>373,261</b>	<b>228,076</b>	<b>3,348,335</b>	<b>3,242,204</b>	<b>3,523,930</b>	<b>3,470,280</b>
General Receipts						
Property Taxes						
General Purposes	67,512	214,020			67,512	214,020
Fire and Rescue	87,136	88,731			87,136	88,731
Municipal Income Taxes	411,215	354,312			411,215	354,312
Other Local Taxes	142,561				142,561	
Grants and Entitlements	94,356	289,361			292,022	289,361
Franchise Fees	1,368				1,368	
Interest	104,964	30,003	4,877		109,841	30,003
Sale of Capital Assets				85,000		85,000
Notes Issued	55,000	150,000	250,000	300,000	305,000	450,000
Proceeds of OPWC			57,427			57,427
Special Item - Proceeds of Lawsuit				100,000		100,000
Other	39,281	21,369		3,313	39,281	24,682
<b>Total General Receipts</b>	<b>1,003,393</b>	<b>1,147,796</b>	<b>312,304</b>	<b>488,313</b>	<b>1,513,363</b>	<b>1,636,109</b>
<b>Total Receipts</b>	<b>1,376,654</b>	<b>1,375,872</b>	<b>3,660,639</b>	<b>3,730,517</b>	<b>5,037,293</b>	<b>5,106,389</b>

(continued)

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

Change in Net Assets  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<u>Program Disbursements</u>						
Security of Persons and Property	\$344,824	\$307,269			\$344,824	\$307,269
Public Health	8,331	12,696			8,331	12,696
Leisure Time Activities	75,992	49,530			75,992	49,530
Community Environment	58,353	31,930			58,353	31,930
Basic Utility Services	287,013				287,013	
Transportation	115,952	331,013			115,952	331,013
General Government	234,368	186,126			234,368	186,126
Capital Outlay		55,028				55,028
Debt Service:						
Principal Retirement	171,120	265,300			171,120	265,300
Interest and Fiscal Charges	13,621	14,330			13,621	14,330
Sewer			\$631,651	\$563,092	631,651	563,092
Electric			2,775,087	2,675,377	2,775,087	2,675,377
Water			161,370	222,523	161,370	222,523
Refuse			43,205	48,728	43,205	48,728
Total Disbursements	<u>1,309,574</u>	<u>1,253,222</u>	<u>3,611,313</u>	<u>3,509,720</u>	<u>4,920,887</u>	<u>4,762,942</u>
Increase in Net Assets Before Advances	67,080	122,650	49,326	220,797	116,406	343,447
Advances	(104,499)		104,499			
Change in Net Assets	<u>(37,419)</u>	<u>122,650</u>	<u>153,825</u>	<u>220,797</u>	<u>116,406</u>	<u>343,447</u>
Net Assets at Beginning of Year	<u>787,552</u>	<u>664,902</u>	<u>1,185,448</u>	<u>964,651</u>	<u>1,973,000</u>	<u>1,629,553</u>
Net Assets at End of Year	<u>\$750,133</u>	<u>\$787,552</u>	<u>\$1,339,273</u>	<u>\$1,185,448</u>	<u>\$2,089,406</u>	<u>\$1,973,000</u>

For governmental activities, overall receipts were fairly consistent with less than 1 percent increase. However, disbursements reflect an increase of 4 percent due to general increases in operating costs. While this led to a slight decrease in nets assets, the change was not significant.

For business-type activities, although receipts were down slightly from the prior year (in part due to proceeds of a lawsuit received in the prior year), disbursements increased slightly. As a result, there was an increase in net assets of almost 13 percent.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted intergovernmental receipts.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Security of Persons and Property	\$344,824	\$307,269	\$298,047	\$277,914
Public Health	8,331	12,696	(11,868)	(1,111)
Leisure Time Activities	75,992	49,530	75,992	33,495
Community Environment	58,353	31,930	45,703	31,540
Basic Utility Services	287,013		89,347	
Transportation	115,952	331,013	24,565	247,771
General Government	234,368	186,126	229,786	155,907
Capital Outlay		55,028		
Debt Service:				
Principal Retirement	171,120	265,300	171,120	265,300
Interest and Fiscal Charges	13,621	14,330	13,621	14,330
Total Disbursements	\$1,309,574	\$1,253,222	\$936,313	\$1,025,146

As can be seen in the above table, the Village is very dependent on its general revenues (primarily income taxes and unrestricted intergovernmental receipts) to pay for the services provided. For 2006, 71 percent of these services were provided through general revenues. However, note that a couple of the programs are well funded through program revenues. The public health program had program revenues in excess of its costs for both 2006 and 2005. This is due to charges for services provided. The transportation program receives operating grants in the form of State levied motor vehicle license fees and gas taxes

**Governmental Funds Financial Analysis**

The Village's major governmental funds are the General Fund, the Economic Development special revenue fund, and the OPWC Sanitary Sewer Improvements capital projects fund. The General Fund has a sizable decrease in fund balance (27 percent) due to disbursements exceeding receipts for the year. The Economic Development fund had no activity during 2006. The OPWC Sanitary Sewer Improvements fund had no change in fund balance during 2006.

**Business-Type Activities Financial Analysis**

The Village's major enterprise funds are the Sewer and Electric funds. Although the Sewer fund had an operating loss for 2006, there was still a slight increase in overall net assets. The Electric fund had an operating income as well as an increase in net assets.

**Budgetary Highlights**

The Village prepares an annual budget of receipts and disbursements for all funds of the Village for use by Village officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

The Village's most significant budgeted fund is the General Fund. There were no changes from the original budget to the final budget for either receipts or disbursements. For receipts, there was a substantial increase from the final budget to actual receipts, primarily for income taxes and intergovernmental receipts, both conservatively estimated. There was also a sizable change in disbursements from the final budget to actual amounts spent as the Village made disbursements in excess of amounts appropriated by Village Council.

**Debt Activity**

The Village had \$3,714,439 in outstanding long term obligations at year end, \$202,756 was payable from governmental type activities and \$3,511,683 from business type activities. See Note 13 to the financial statements for additional information.

**Current Issues**

In 2007, the Village issued bond anticipation notes, in the amount of \$200,000, to partially retire notes previously issued to pay the costs of sanitary sewer improvements. The notes have an interest rate of 4.1 percent and maturity date of May 22, 2008.

**Request for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Robert Dearing, Fiscal Officer, 205 South State Street, Pioneer, Ohio 43554.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$750,133	\$1,334,396	\$2,084,529
Cash and Cash Equivalents with Fiscal Agent		4,877	4,877
Total Assets	\$750,133	\$1,339,273	\$2,089,406
<u>Net Assets</u>			
Restricted for			
Debt Service	33,540		33,540
Economic Development	195,068		195,068
Other Purposes	246,209		246,209
Cemetery Trust:			
Non-Expendable	55,396		55,396
Unrestricted	219,920	1,339,273	1,559,193
Total Net Assets	\$750,133	\$1,339,273	\$2,089,406

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<u>Governmental Activities</u>				
Security of Persons and Property	\$344,824	\$35,047	\$11,730	
Public Health	8,331	19,993	206	
Leisure Time Activities	75,992			
Community Environment	58,353	12,650		
Basic Utility Services	287,013			\$197,666
Transportation	115,952	14,852	76,535	
General Government	234,368	4,582		
Debt Service:				
Principal Retirement	171,120			
Interest and Fiscal Charges	13,621			
<b>Total Governmental Activities</b>	<b>1,309,574</b>	<b>87,124</b>	<b>88,471</b>	<b>197,666</b>
<u>Business-Type Activities</u>				
Sewer	631,651	240,353		
Electric	2,775,087	2,899,447		
Other Enterprise				
Water	161,370	161,084		
Refuse	43,205	47,451		
<b>Total Business-Type Activities</b>	<b>3,611,313</b>	<b>3,348,335</b>		
<b>Total</b>	<b>\$4,920,887</b>	<b>\$3,435,459</b>	<b>\$88,471</b>	<b>\$197,666</b>

General Revenues

Property Taxes Levied for General Purposes  
Property Taxes Levied for Fire and Rescue  
Municipal Income Taxes  
Other Local Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Franchise Fees  
Interest  
Other  
Proceeds of Notes  
Proceeds of OPWC

Total General Revenues

Advances

Total General Revenues and Advances

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 (Expense) Revenue  
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$298,047)		(\$298,047)
11,868		11,868
(75,992)		(75,992)
(45,703)		(45,703)
(89,347)		(89,347)
(24,565)		(24,565)
(229,786)		(229,786)
(171,120)		(171,120)
(13,621)		(13,621)
<u>(936,313)</u>		<u>(936,313)</u>
	(\$391,298)	(391,298)
	124,360	124,360
	(286)	(286)
	<u>4,246</u>	<u>4,246</u>
	(262,978)	(262,978)
<u>(936,313)</u>	<u>(262,978)</u>	<u>(1,199,291)</u>
67,512		67,512
87,136		87,136
411,215		411,215
142,561		142,561
94,356		94,356
1,368		1,368
104,964	4,877	109,841
39,281		39,281
55,000	250,000	305,000
	<u>57,427</u>	<u>57,427</u>
1,003,393	312,304	1,315,697
<u>(104,499)</u>	<u>104,499</u>	
898,894	416,803	1,315,697
(37,419)	153,825	116,406
<u>787,552</u>	<u>1,185,448</u>	<u>1,973,000</u>
<u>\$750,133</u>	<u>\$1,339,273</u>	<u>\$2,089,406</u>

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	<u>\$219,920</u>	<u>\$195,068</u>	<u>\$335,145</u>	<u>\$750,133</u>
<u>Fund Balances</u>				
Unreserved, Reported in				
General Fund	219,920			219,920
Special Revenue Funds		195,068	246,209	441,277
Debt Service Fund			33,540	33,540
Permanent Fund			<u>55,396</u>	<u>55,396</u>
Total Fund Balances	<u>\$219,920</u>	<u>\$195,068</u>	<u>\$335,145</u>	<u>\$750,133</u>

See Accompanying Notes to Basic Financial Statements



**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

	General	Economic Development	OPWC Sanitary Sewer Improvements	Other Governmental	Total Governmental Funds
<u>Cash Receipts</u>					
Property Taxes	\$67,512			\$87,136	\$154,648
Income Taxes	411,215				411,215
Other Local Taxes	142,561			3,760	146,321
Intergovernmental	93,748		\$197,666	81,993	373,407
Special Assessments				11,092	11,092
Charges for Services	48,622			18,768	67,390
Fees, Licenses, and Permits	1,763				1,763
Fines and Forfeitures	4,187			300	4,487
Interest	104,964			7,086	112,050
Miscellaneous	39,281				39,281
<b>Total Cash Receipts</b>	<b>913,853</b>		<b>197,666</b>	<b>210,135</b>	<b>1,321,654</b>
<u>Cash Disbursements</u>					
Current:					
Security of Persons and Property	344,824				344,824
Public Health	7,952			379	8,331
Leisure Time Activities	75,992				75,992
Community Environment	58,353				58,353
Basic Utility Services			287,013		287,013
Transportation	83,408			32,544	115,952
General Government	232,309			2,059	234,368
Debt Service:					
Principal Retirement				171,120	171,120
Interest and Fiscal Charges				13,621	13,621
<b>Total Cash Disbursements</b>	<b>802,838</b>		<b>287,013</b>	<b>219,723</b>	<b>1,309,574</b>
Excess of Cash Receipts Over (Under) Cash Disbursements	111,015		(89,347)	(9,588)	12,080
<u>Other Financing Sources (Uses)</u>					
Proceeds of Notes				55,000	55,000
Advances Out	(104,499)				(104,499)
Transfers In			89,347		89,347
Transfers Out	(89,347)				(89,347)
<b>Total Other Financing Sources (Uses)</b>	<b>(193,846)</b>		<b>\$89,347</b>	<b>55,000</b>	<b>(49,499)</b>
Changes in Fund Balances	(82,831)			45,412	(37,419)
Fund Balances at Beginning of Year	302,751	\$195,068		289,733	787,552
Fund Balances at End of Year	<u>\$219,920</u>	<u>\$195,068</u>		<u>\$335,145</u>	<u>\$750,133</u>

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Property Taxes	\$125,830	\$35,830	\$67,512	\$31,682
Income Taxes	300,000	300,000	411,215	111,215
Other Local Taxes		90,000	142,561	52,561
Intergovernmental	(260,143)	(260,143)	93,748	353,891
Charges for Services	46,500	46,500	48,622	2,122
Fees, Licenses, and Permits	350	350	1,763	1,413
Fines and Forfeitures	4,000	4,000	4,187	187
Interest	90,074	90,074	104,964	14,890
Miscellaneous	111,000	111,000	39,281	(71,719)
<b>Total Cash Receipts</b>	<b>417,611</b>	<b>417,611</b>	<b>913,853</b>	<b>496,242</b>
<u>Cash Disbursements</u>				
Current:				
Security of Persons and Property	342,290	342,290	344,824	(2,534)
Public Health	7,894	7,894	7,952	(58)
Leisure Time Activities	75,437	75,437	75,992	(555)
Community Environment	57,927	57,927	58,353	(426)
Transportation	82,798	82,798	83,408	(610)
General Government	146,641	146,641	232,309	(85,668)
<b>Total Cash Disbursements</b>	<b>712,987</b>	<b>712,987</b>	<b>802,838</b>	<b>(89,851)</b>
Excess of Cash Receipts Over (Under)				
Cash Disbursements	(295,376)	(295,376)	111,015	406,391
<u>Other Financing Uses</u>				
Advances Out			(104,499)	(104,499)
Transfers Out			(89,347)	(89,347)
<b>Total Other Financing Uses</b>			<b>(193,846)</b>	<b>(193,846)</b>
<b>Changes in Fund Balance</b>	<b>(295,376)</b>	<b>(295,376)</b>	<b>(82,831)</b>	<b>212,545</b>
Fund Balance at Beginning of Year	302,751	302,751	302,751	
<b>Fund Balance at End of Year</b>	<b>\$7,375</b>	<b>\$7,375</b>	<b>\$219,920</b>	<b>\$212,545</b>

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
Economic Development Fund  
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Cash Receipts</u>				
Intergovernmental	\$11,517	\$11,517		(\$11,517)
<u>Cash Disbursements</u>				
Community Environment	<u>25,000</u>	<u>25,000</u>		<u>25,000</u>
Changes in Fund Balance	(13,483)	(13,483)		13,483
Fund Balance at Beginning of Year	<u>195,068</u>	<u>195,068</u>	<u>\$195,068</u>	
Fund Balance at End of Year	<u><u>\$181,585</u></u>	<u><u>\$181,585</u></u>	<u><u>\$195,068</u></u>	<u><u>\$13,483</u></u>

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

	<u>Sewer</u>	<u>Electric</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$377,299	\$873,240	\$83,857	\$1,334,396
Cash and Cash Equivalents with Fiscal Agent		4,877		4,877
Total Assets	<u>\$377,299</u>	<u>\$878,117</u>	<u>\$83,857</u>	<u>\$1,339,273</u>
<u>Net Assets</u>				
Unrestricted	<u>\$377,299</u>	<u>\$878,117</u>	<u>\$83,857</u>	<u>\$1,339,273</u>

See Accompanying Notes to the Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Cash Basis  
Enterprise Funds  
For the Year Ended December 31, 2006**

	Sewer	Electric	Other Enterprise	Enterprise Funds
<u>Operating Revenues</u>				
Charges for Services	\$240,353	\$2,899,447	\$208,535	\$3,348,335
<u>Operating Expenses</u>				
Personal Services	83,617	205,329	83,549	372,495
Transportation	144	3,369	550	4,063
Contractual Services	21,194	2,226,797	56,390	2,304,381
Materials and Supplies	19,554	36,418	28,883	84,855
Capital Outlay	180,424	184,792	12,023	377,239
Miscellaneous		9,450		9,450
Total Operating Expenses	304,933	2,666,155	181,395	3,152,483
Operating Income (Loss)	(64,580)	233,292	27,140	195,852
<u>Non-Operating Revenues (Expenses)</u>				
Advances In	104,499			104,499
Proceeds of Notes	250,000			250,000
Proceeds of OPWC	57,427			57,427
Interest Revenue		4,877		4,877
Debt Service:				
Principal Retirement	(316,968)	(7,739)	(17,054)	(341,761)
Interest Expense	(9,750)	(101,193)	(6,126)	(117,069)
Total Non-Operating Revenues (Expenses)	85,208	(104,055)	(23,180)	(42,027)
Changes in Net Assets	20,628	129,237	3,960	153,825
Net Assets at Beginning of Year	356,671	748,880	79,897	1,185,448
Net Assets at End of Year	\$377,299	\$878,117	\$83,857	\$1,339,273

See Accompanying Notes to the Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

	Sewer	Electric	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$240,353	\$2,899,447	\$208,535	\$3,348,335
Cash Payments for Personal Services	(83,617)	(205,329)	(83,549)	(372,495)
Cash Payments for Transportation	(144)	(3,369)	(550)	(4,063)
Cash Payments for Contractual Services	(21,194)	(2,226,797)	(56,390)	(2,304,381)
Cash Payments for Materials and Supplies	(19,554)	(36,418)	(28,883)	(84,855)
Cash Payments for Capital Outlay	(180,424)	(184,792)	(12,023)	(377,239)
Cash Payments for Miscellaneous		(9,450)		(9,450)
Net Cash Provided by (Used For) Operating Activities	(64,580)	233,292	27,140	195,852
<u>Cash Flows from Noncapital Financing Activities</u>				
Advances in from Other Funds	104,499			104,499
<u>Cash Flows from Capital and Related Financing Activities</u>				
Proceeds from Bond Anticipation Notes	250,000			250,000
Proceeds from Ohio Public Works Commission Loan	57,427			57,427
Principal Paid on Bond Anticipation Notes	(300,000)			(300,000)
Interest Paid on Bond Anticipation Notes	(9,750)			(9,750)
Principal Paid on OPWC Loans	(16,968)		(17,054)	(34,022)
Interest Paid on OPWC Loans			(6,126)	(6,126)
Principal Paid on AMP-Ohio Payable - JV6		(7,739)		(7,739)
Interest Paid on AMP-Ohio Loan		(101,193)		(101,193)
Net Cash Used for Capital and Related Financing Activities	(19,291)	(108,932)	(23,180)	(151,403)
<u>Cash Flows from Investing Activities</u>				
Interest		4,877		4,877
Net Increase in Cash and Cash Equivalents	20,628	129,237	3,960	153,825
Cash and Cash Equivalents at Beginning of Year	356,671	748,880	79,897	1,185,448
Cash and Cash Equivalents at End of Year	\$377,299	\$878,117	\$83,857	\$1,339,273

See Accompanying Notes to the Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

**NOTE 1 - REPORTING ENTITY**

The Village of Pioneer (the Village) is a body politic and corporate established in 1849 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is governed by a six-member Village 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 composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village 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, maintenance of Village streets, bridges, park operations, police services, a volunteer fire department, and sewer, electric, water and refuse utilities.

**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 financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves the budget, the issuance of debt, or the levying of taxes. The Village has no component units.

The Village participates in an insurance pool and four joint ventures. A joint venture is a legal entity or other organization that results from a contractual agreement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility under the cash basis of accounting. These organizations are the Ohio Government Risk Management Plan, the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Ohio Municipal Electric Generation Agency Joint Venture 4 (JV4), the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5), and the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6). These organizations are presented in Notes 14 and 15 to the basic financial statements.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the enterprise funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB pronouncements issued after November 30, 1989, to its business-type activities or 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 in nature and those that are considered business-type activities.

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 and program receipts for each program or function of the Village's governmental activities 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, contributions, and interest 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 is self-financing on a cash basis or draws from the general revenues of the Village.

**Fund Financial Statements**

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

**B. Fund Accounting**

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



**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

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

Governmental Funds

The Village classifies funds financed primarily from property taxes, income taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, the Economic Development special revenue fund and the OPWC Sanitary Sewer Improvements capital projects fund.

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

OPWC Sanitary Sewer Improvements Fund - This fund receives grants and loans from the Ohio Public Works Commission (OPWC) to be used for sanitary sewer improvement projects.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

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:

Sewer Fund - This fund accounts for the provision of sanitary sewer service to residential and commercial users within the Village.

Electric Fund - This fund accounts for the provision of electricity to residential and commercial users within the Village.

The other enterprise funds of the Village account for the provision of water and refuse services to residential and commercial users within the Village.

C. Basis of Accounting

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

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

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

As a result of the use of the 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 the financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund level for all funds.

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

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

**E. Cash and Investments**

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

Cash and cash equivalents that are held separately for the Village by AMP-Ohio are recorded as "Cash and Cash Equivalents with Fiscal Agent".

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 were \$104,964 which includes \$88,361 assigned from other Village funds.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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.

F. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment or retirement. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

H. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for maintenance and repair of streets and state highways, various police department related activities, fire protection, and cemetery maintenance. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The Village did not have any net assets restricted by enabling legislation at December 31, 2006.

J. Fund Balance Reserves

The Village reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

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

**K. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the enterprise funds. For the Village, these receipts are charges for services for sewer, electric, water, and refuse services. Operating disbursements are the necessary costs incurred to provide the service that is the primary activity of the fund. All receipts and disbursements not meeting these definitions are reported as nonoperating.

**NOTE 3 - COMPLIANCE**

At December 31, 2006, the General fund and the Fire Levy special revenue fund had expenditures in excess of appropriations, in the amount of \$179,198 and \$8,556, respectively. Issue II funds from the Ohio Public Works Commission (OPWC) was not posted in a separate capital projects fund. The Village will monitor budgetary controls and posting of OPWC monies more closely. The negative variance for transfers-out appearing on the Statement of Receipts, Disbursements and Changes in Fund Balance Budget to Actual for the General fund resulted from an audit adjustment and does not represent noncompliance by the Village with Ohio budgetary statutes.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis of accounting 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 to Actual – Budgetary Basis presented for the General fund and the Economic Development fund are prepared on a budgetary basis to provide a meaningful comparison of actual results within the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that Village 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.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

**NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

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 may 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, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if trading requirements have been met.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

**NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

Deposits

Custodial credit risk for deposits 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 \$2,047,925 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

The Village has no deposit policy for custodial credit 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 105 percent of the deposits being secured.

Investments

As of December 31, 2006, the carrying value of funds on deposit with Star Ohio was \$253,200. The Village's investment in Star Ohio has an average maturity of 35 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The Village has no policy for credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**NOTE 6 - PROPERTY TAXES**

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

Public utility property tax revenues received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

**NOTE 6 - PROPERTY TAXES – (CONTINUED)**

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the Village of Pioneer. The County Auditor periodically remits to the Village its portion of the taxes collected.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$7.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$15,244,860
Commercial/Industrial/Mineral	5,240,790
Public Utility Property	
Personal	84,360
Tangible Personal Property	4,341,610
Total Assessed Value	<u><u>\$24,911,620</u></u>

**NOTE 7 - INCOME TAXES**

The Village levies and collects an income tax of 1 percent on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the tax paid to another municipality, not to exceed the amount owed. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

**NOTE 8 - RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Village contracted with the Ohio Government Risk Management Plan for insurance coverage. Coverage provided was as follows:

General Liability	
Per Occurrence	\$3,000,000
Aggregate	5,000,000
Employee Benefits Liability	
Each Incident	1,000,000
Aggregate	3,000,000
Employer's Liability	3,000,000
Public Officials Liability	
Each Wrongful Act	3,000,000
Aggregate	5,000,000
Law Enforcement Liability	
Each Wrongful Act	3,000,000
Aggregate	5,000,000
Boiler and Machinery	5,342,146
Property	5,342,146

There has been no significant reduction in insurance coverage from 2005, and settled claims have not exceeded this coverage in the past three years.

**NOTE 9 - 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 OPERS 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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

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 publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2006, members of all three plans, were required to contribute 9 percent of their annual covered salary to fund pension obligations. The Village's contribution rate for pension benefits for 2006 was 9.2 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$38,271, \$41,942, and \$36,315, respectively; 87 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004.

**B. Ohio Police and Fire Pension Fund**

The Village participates in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan. OPF 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 by Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial statements and required supplementary information. The 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 obligations and the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's contributions to the OPF for the years ended December 31, 2006, 2005, and 2004, were \$12,331, \$10,819, and \$10,665, respectively; 90 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004.

**NOTE 10 - 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 recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 employer contribution rate was 13.7 percent of covered payroll; 4.5 percent was the portion used to fund health care.

**VILLAGE OF PIONEER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 10 - 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, 2006, include a rate of return on investments of 6.5 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 .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 to 5 percent annually for the next eight years and 4 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 362,130. Actual employer contributions for 2006 which were used to fund postemployment benefits was \$18,719. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2006, was \$12 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

In September 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. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OPF) 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 eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by OPF is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OPF's board of trustees to provide health care coverage and states that health care costs paid from OPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll; 7.75 percent was applied to the postemployment health care program during 2006. In addition, since July 1, 1992, most retirees 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.

The Village's actual contributions for 2006 that were used to fund postemployment benefits were \$8,133 for police. The OPF's total health care expense for the year ended December 31, 2006, was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OPF participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

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

**NOTE 11 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from the personnel policies of the Village and State laws. Employees earn five to fifteen days of vacation per year, depending upon length of service. After completion of six years of continuous employment, employees shall receive an additional four hours of vacation for each year in excess of five years of continuous employment, to a maximum of twenty days. Accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 2.31 hours per pay period. Sick leave may be accumulated up to a maximum of nine hundred sixty hours. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of two hundred forty hours for all employees.

**NOTE 12 - NOTE OBLIGATIONS**

The changes in the Village's note obligations during 2006 were as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
<b><u>Governmental Activities</u></b>					
Various Purpose Improvement Series 2005	Notes, 3.25%	\$150,000		\$150,000	
Various Purpose Improvement Series 2006	Notes, 4.25		\$55,000		\$55,000
<b>Total Governmental Activities</b>		<b>\$150,000</b>	<b>\$55,000</b>	<b>\$150,000</b>	<b>\$55,000</b>
<b><u>Business-Type Activities</u></b>					
Various Purpose Improvement Series 2005	Notes, 3.25%	\$300,000		\$300,000	
Various Purpose Improvement Series 2006	Notes, 4.25		250,000		250,000
<b>Total Business-Type Activities</b>		<b>\$300,000</b>	<b>\$250,000</b>	<b>\$300,000</b>	<b>\$250,000</b>

All of the Village's notes are bond anticipation notes and are backed by the full faith and credit of the Village. The notes have a maturity of one year.

The various purpose notes, in the amount of \$150,000, were issued on May 25, 2005, with an interest rate of 3.25 percent to retire notes previously issued to pay the costs of purchasing a fire truck. This note was paid off in 2006 from the Fire Levy special revenue fund.

The various purpose notes, in the amount of \$55,000, were issued on May 25, 2006, to partially retire notes previously issued to pay the costs of purchasing a fire truck. The notes have an interest rate of 4.25 percent and matured on May 24, 2007. The notes were paid from the Fire Levy special revenue fund.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

**NOTE 12 - NOTE OBLIGATIONS – (CONTINUED)**

The various purpose notes, in the amount of \$300,000, were issued on May 25, 2005, with an interest rate of 3.25 percent to partially retire notes previously issued to pay the costs of sanitary sewer improvements. This note was paid off in 2006 from the Sewer enterprise fund.

The various purpose notes, in the amount of \$250,000, were issued on May 25, 2006, to partially retire notes previously issued to pay the costs of sanitary sewer improvements. The notes have an interest rate of 4.25 percent and matured on May 24, 2007. The notes were paid from the Sewer enterprise fund.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
OPWC Loans						
1995 Baubice Street (Original Amount \$408,500)	4%	\$223,876		\$21,120	\$202,756	\$10,878
<b>Total Governmental Activities</b>		<b>\$223,876</b>		<b>\$21,120</b>	<b>\$202,756</b>	<b>\$10,878</b>
<u>Business-Type Activities</u>						
OPWC Loans						
1993 Water Treatment Plant Improvements (Original Amount \$317,044)	4%	\$157,363		\$17,054	\$140,309	\$8,784
2000 Lynn Street Storm Sewer (Original Amount \$122,787)	0%	85,951		6,139	79,812	3,070
2000 Elm and Church Street Drainage Improvements	0%	54,141		10,829	43,312	5,414
2004 Storm Sewer Improvements (Original Amount \$161,926)	0%		\$57,427		57,427	
<b>Total OPWC Loans</b>		<b>297,455</b>	<b>57,427</b>	<b>34,022</b>	<b>320,860</b>	<b>17,268</b>
Other Long-Term Obligations						
AMP-Ohio Payable - JV6		123,562		7,739	115,823	8,344
AMP-Ohio Loan		3,075,000			3,075,000	
<b>Total Other Long-Term Obligations</b>		<b>3,198,562</b>		<b>7,739</b>	<b>3,190,823</b>	<b>8,344</b>
<b>Total Business-Type Activities</b>		<b>\$3,496,017</b>	<b>\$57,427</b>	<b>\$41,761</b>	<b>\$3,511,683</b>	<b>\$25,612</b>

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

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

**NOTE 13 - LONG-TERM OBLIGATIONS – (CONTINUED)**

OPWC Loans - OPWC loans consist of monies owed to the Ohio Public Works Commission for the following:

1995 Baubice Street - This loan is for street improvements. The loan is 20 years, with the final maturity in 2015. This loan is being retired from the Street special revenue fund.

1993 Water Treatment Plant Improvements - This loan is for water treatment plant improvements. The term of the loan is 20 years, with the final maturity in 2014. This loan is being retired from the Water enterprise fund.

2000 Lynn Street Storm Sewer - This loan is for storm sewer reconstruction. The term of the loan is 20 years, with the final maturity in 2020. This loan is being retired from the Sewer enterprise fund.

2000 Elm and Church Street - This loan is for street drainage improvements. The term of the loan is 10 years, with the final maturity in 2011. This loan is being retired from the Sewer enterprise fund.

2004 Sanitary Sewer Improvements - This loan is for storm sewer improvements. The term of the loan is 20 years, with the final maturity in 2017. This loan is being retired from the Sewer enterprise fund.

AMP-Ohio Payable-JV6 - The Village is a participant, with ten other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6), a joint venture to provide low-polluting capacity electricity to the participants. During 2004, AMP-Ohio issued bonds, in the amount of \$9,861,000, to acquire capital assets for JV6. Under a financing agreement between the participants of JV6 and AMP-Ohio, the participants have agreed to pay the debt service requirements of the bonds. Payments are to be made solely from resources of the Electric enterprise fund.

AMP-Ohio Loan - On November 7, 1997, the Village obtained a loan from AMP-Ohio to finance the construction and installation of a new substation and transmission line for the municipal electric system and to refinance notes previously issued for the Village's share of the OMEGA JV4 transmission project, in the amount of \$2,500,000.

On November 2, 2000, the loan agreement was amended to finance the cost of the Village's share of the OMEGA JV2 distributed generation project, in the amount of \$500,000. As of October 27, 2005, the balance of this \$2,500,000 original issue loan was \$2,075,000.

On October 27, 2005, the loan agreement was restructured and an additional \$1,000,000 was added for a new substation transformer and transmission line interconnecting with Toledo Edison. The new loan amount is \$3,075,000. Payments are not due for five years and there is currently no amortization schedule; however, the debt must be fully retired by the end of 2025. This loan will be repaid from the Electric enterprise fund.

At December 31, 2006, the Village's overall debt margin was \$2,560,720.

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

**NOTE 13 - LONG-TERM OBLIGATIONS – (CONTINUED)**

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

Year	OPWC Loans	
	Principal	Interest
2007	\$10,878	\$4,055
2008	22,413	7,452
2009	23,319	6,547
2010	24,260	5,606
2011	25,240	4,626
2012-2015	96,646	7,885
	\$202,756	\$36,171

The following is a summary of the Village's future annual debt service requirements for business-type activities:

Year	OPWC Loans		AMP-Ohio Payable - JV6	
	Principal	Interest	Principal	Interest
2007	\$17,268	\$2,805	\$8,344	\$3,501
2008	43,161	5,082	12,885	1,199
2009	43,892	4,351	12,254	1,831
2010	44,653	3,590	10,899	3,186
2011	40,030	2,798	11,339	2,745
2012-2016	110,368	3,321	60,102	6,474
2017-2020	21,488			
	\$320,860	\$21,947	\$115,823	\$18,936

**NOTE 14 - INSURANCE POOL**

The Village participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from Ohio Government Risk Management Plan, 420 Madison Avenue, Toledo, Ohio 43204.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 15 - JOINT VENTURES**

**A. Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)**

The Village is a participant, with thirty-five other subdivisions within the State of Ohio, in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis, the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2). The Village is an owner participant with percentage of ownership of .86 percent. Owner participants own undivided interests, as tenants in common, in JV2 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.

In accordance with the JV2 Agreement (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 JV2, including such portions of 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 Agreement.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses 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. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 debt service and any other outstanding senior lien electric system revenue obligations.

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 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net assets will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. The Village's net investment in JV2 was \$360,304 at December 31, 2006. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**B. Ohio Municipal Electric Generation Agency Joint Venture 4 (JV4)**

The Village is a participant, with three other subdivisions within the State of Ohio, in a joint venture to oversee construction and operation of a 69 kilowatt transmission line in Williams County, the Ohio Municipal Electric Generation Agency Joint Venture (JV4). JV4 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated, by agreement, to remit on a monthly basis those costs incurred from using electric generated by the joint venture. JV4 does not have any debt outstanding. In the event of a shortfall, the Joint Venture participants are billed for their respective shares of the estimated shortfall.

**VILLAGE OF PIONEER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 15 - JOINT VENTURES – (CONTINUED)**

The Village's net investment in JV4 was \$741,418 at December 31, 2006. Complete financial statements for JV4 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

The Village is a participant, with forty-one other subdivisions within the State of Ohio, in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia (on the Ohio River at the Belleville Locks and Dam) and receive electricity from its operation, the Ohio Municipal Electric Generation Agency Joint Venture (JV5). The Village is a financing participant with an ownership percentage of .76 percent. Financing participants own undivided interests, as tenants in common, without right of partition in JV5.

In accordance with the JV5 Agreement (Agreement), the participants jointly undertook, as financing participants, the acquisition, construction, and equipping of JV5, including such portions of JV5 as have been acquired, constructed, or equipped by AMP-Ohio.

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 operation and maintenance expenses 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. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV5 debt service and any other outstanding senior lien electric system revenue obligations. Upon dissolution of JV5, the net assets will be shared by the participants on a percentage of ownership basis.

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, JV5 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting 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 participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

JV5 was created to construct a 42 MW run-of-the-river hydroelectric plant (including 40 MW of backup generation) and associated transmission facilities and sells electricity from its operations to JV5 participants.

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 thirty year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the financing participants of JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds were used to construct the 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 2005 through 2024.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - JOINT VENTURES – (CONTINUED)**

The Village's net investment in JV5 was \$82,104 at December 31, 2006. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**D. Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6)**

The Village is a participant, with ten other subdivisions within the State of Ohio, in a joint venture to provide low-polluting capacity electricity to the participants, the Ohio Municipal Electric Generation Agency Joint Venture (JV6). The Village is a financing participant with a percentage of ownership of 1.39 percent. Financing participants own undivided interests, as tenants in common, in JV6 in the amount of their respective project shares.

In accordance with the JV6 Agreement (Agreement), the participants jointly undertook (as either financing participants or non-financing participants) the acquisition, construction, and equipping of JV6, including such portions of JV6 as have been acquired, constructed, or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

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 operation and maintenance expenses 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. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV6 debt service and any other outstanding senior lien electric system revenue obligations.

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, JV6 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting 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 participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

JV6 was created to provide for low-polluting capacity electricity through wind energy. The project consists of four wind turbines with a nominal capacity of 3.6 MW and related facilities. Upon dissolution of JV6, the net assets will be shared by the participants on a percentage of ownership basis. JV6 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2004, AMP-Ohio issued \$9,861,000 of fifteen year adjustable rate bonds on behalf of the financing participants of JV6. The proceeds of the bond issue were contributed to JV6. The Village's net obligation for these bonds at December 31, 2006, was \$115,823. The Village's net investment in JV6 was \$122,179 at December 31, 2006. Complete financial statements for JV6 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF PIONEER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
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**NOTE 16 - CONTINGENT LIABILITIES**

There are currently no matters in litigation with the Village as defendant.

For the period January 1, 2006, to December 31, 2006, the Village received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Village believes such disallowances, if any, would be immaterial.

**NOTE 17 – TRANSFERS AND ADVANCES**

Interfund transfers and advances for the year ended December 31, 2006, consisted of the following:

Fund	Transfers In	Transfers Out	Advances In	Advances Out
General Fund		\$89,347		\$104,499
Sewer Fund			\$104,499	
OPWC Sanitary Sewer Improvements Capital Projects Fund	\$89,347			
	<u>\$89,347</u>	<u>\$89,347</u>	<u>\$104,499</u>	<u>\$104,499</u>

Transfers represent Ohio Public Works Commission (OPWC) Issue II monies for the Sanitary Sewer Improvement Project that were originally placed in the General fund that should have been placed in a separate capital projects fund.

Monies were advanced to the Sewer fund to help pay for expenditures related to the Sanitary Sewer Improvement project until OPWC loan proceeds were received.

**NOTE 18 - SUBSEQUENT EVENT**

On May 24, 2007, the Village issued bond anticipation notes, in the amount of \$200,000, to partially retire notes previously issued to pay the costs of sanitary sewer improvements. The notes will mature on May 22, 2008, and have an interest rate of 4.10 percent.

**NOTE 19 – RELATED PARTY TRANSACTION**

The Village purchases various water and sewer parts from Artesian of Pioneer, Inc. which is owned by the Mayor of Pioneer. The Village paid \$7,094 in 2006.



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pioneer, Williams County, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 12, 2008, wherein, we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

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

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

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

We also noted certain matters that we reported to the Village's management in a separate letter dated September 12, 2008.

#### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-003.

We also noted certain noncompliance and other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 12, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

September 12, 2008

VILLAGE OF PIONEER  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

**Finding for Recovery Repaid Under Audit**

The Ohio Supreme Court has considered the extent of non-charter municipality's authority to provide by ordinance for the compensation of its employee where such an ordinance is at variance with a statute concerning the same subject. *Northern Ohio Patrolmen's Benevolent Assoc. v. City of Parma*, 61 Ohio St. 2d 375 (1980). In short, the Court states that Ohio Constitution art. XVIII, § 3 is a direct grant of power to all municipalities to exercise local self government, and a non-charter municipality may enact an ordinance governing the salary paid to its employees.

However, in Advisory Opinion 93-006, the Ohio Ethics Commission held, in part, that Ohio Revised Code Section 102.03(E) prohibits a village mayor from accepting, for the duration of his current term, an increase in compensation enacted by village council while he was mayor, regardless of whether he voted in favor of the increase in order to break a tie on council.

The Mayor's term ran from January 1, 2004, through December 31, 2008. At the beginning of this term, Ordinance 15-2003 was in effect. This set the Mayor's salary at \$4,600 per year. In 2005, Council enacted Ordinance 11-2005 which provided that the Mayor's salary should be increased to \$5,000 for 2006.

As stated above, the Mayor was not entitled to an increase in compensation during his term of office. As a result, the Mayor received an overpayment of \$400.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public moneys illegally expended in the amount of \$400 is hereby issued against Mayor Edward Kidston, and his surety company, the Ohio Government Risk Management Plan, jointly and severally, and in favor of the Village's General fund.

The finding amount of \$400 repaid and credited to the Village's General fund on August 6, 2008.

FINDING NUMBER 2006-002

**Noncompliance Citation and Material Weakness**

Ohio Revised Code § 5705.09(F) states each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Auditor of State Bulletin 2002-004 further states all local governments participating in Issue 2 Funds (Ohio Public Works Commission) must, for each project awarded, establish a capital project fund to account for both the Issue 2 monies and the local matching funds.

**FINDING NUMBER 2006-002  
(Continued)**

Ohio Public Works Commission grant and loan funds, in an amount totaling \$255,093 were received by the Village during 2006. The Village failed to establish a separate capital project fund for these monies and instead accounted for it in the General Fund.

Adjustments were included in the accompanying financial statements to reflect this activity in a separate fund.

We recommend the Village follow the guidelines of Auditor of State Bulletin 2002-004 which describe the proper accounting treatment for Issue 2 funding.

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2006, Village expenditures exceeded appropriations in the General fund and the Fire Levy fund by \$179,198 and \$8,556, respectively. Failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer should also monitor expenditures in relation to appropriations and request Village Council approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response:**

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

VILLAGE OF PIONEER  
WILLIAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC 5705.10 - Community Development Block Grant (CDBG) monies were not posted to a separate Special Revenue fund	Yes	







**Mary Taylor, CPA**  
Auditor of State

**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 14, 2008**