



Dave Yost • Auditor of State

VILLAGE OF PIONEER
WILLIAMS COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 13, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Pioneer, Williams County, Ohio (the Village), as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Pioneer, Williams County, Ohio as of December 31, 2011, and its combined cash receipts and disbursements for the years the ended on the accounting basis Note 1 describes.

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As described in note 2, in 2011, the Village changed its financial statement presentation method from the cash basis to presentation method the Auditor of State prescribes or permits.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 13, 2012

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$227,869					\$227,869
Municipal Income Tax	372,969					372,969
Intergovernmental	96,440	\$164,600		\$114,695		375,735
Special Assessments		2,505	\$10,764			13,269
Charges for Services	58,575	11,160				69,735
Fines, Licenses and Permits	6,126					6,126
Earnings on Investments	14,042				\$214	14,256
Loan Repayments		19,092				19,092
Miscellaneous	24,290	9,230				33,520
<i>Total Cash Receipts</i>	<u>800,311</u>	<u>206,587</u>	<u>10,764</u>	<u>114,695</u>	<u>214</u>	<u>1,132,571</u>
Cash Disbursements						
Current:						
Security of Persons and Property	342,427	150				342,577
Public Health Services	5,352	21,445				26,797
Leisure Time Activities	33,882					33,882
Community Environment	19,270					19,270
Basic Utility Services	1,990					1,990
Transportation	36,755	142,090				178,845
General Government	166,041					166,041
Capital Outlay	47,998	21,444		377,694		447,136
Debt Service:						
Principal Retirement		13,120	12,745			25,865
Interest and Fiscal Charges		3,025	2,188			5,213
<i>Total Cash Disbursements</i>	<u>653,715</u>	<u>201,274</u>	<u>14,933</u>	<u>377,694</u>	<u>214</u>	<u>1,247,616</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>146,596</u>	<u>5,313</u>	<u>(4,169)</u>	<u>(262,999)</u>	<u>214</u>	<u>(115,045)</u>
Other Financing Receipts						
Loan Proceeds				166,770		166,770
<i>Net Change in Fund Cash Balances</i>	146,596	5,313	(4,169)	(96,229)	214	51,725
<i>Fund Cash Balances, January 1</i>	<u>185,091</u>	<u>374,033</u>	<u>76,643</u>	<u>116,782</u>	<u>56,415</u>	<u>808,964</u>
Fund Cash Balances, December 31						
Nonspendable					55,396	55,396
Restricted		379,346	72,474	20,553	1,233	473,606
Unassigned	331,687					331,687
<i>Fund Cash Balances, December 31</i>	<u>\$331,687</u>	<u>\$379,346</u>	<u>\$72,474</u>	<u>\$20,553</u>	<u>\$56,629</u>	<u>\$860,689</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$4,215,855
Miscellaneous	145,049
	<u>4,360,904</u>
<i>Total Operating Cash Receipts</i>	<u>4,360,904</u>
Operating Cash Disbursements	
Personal Services	483,114
Transportation	6,680
Contractual Services	2,807,900
Supplies and Materials	92,874
	<u>3,390,568</u>
<i>Total Operating Cash Disbursements</i>	<u>3,390,568</u>
<i>Operating Income</i>	<u>970,336</u>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(162,208)
Principal Retirement	(488,730)
Interest and Other Fiscal Charges	(230,340)
Other Financing Sources	9,300
Other Financing Uses	(15,549)
	<u>(887,527)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(887,527)</u>
<i>Net Change in Fund Cash Balances</i>	82,809
<i>Fund Cash Balances, January 1</i>	<u>2,154,509</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,237,318</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Pioneer, Williams County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, maintenance of Village streets, bridges, park operations, police services, a volunteer fire department and electric, water, sewer, and refuse utilities.

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

The Village participates in four joint ventures. Note 11 to the financial statements provides additional information for these entities. These organizations are:

Joint Venture Organizations:

Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)
Ohio Municipal Electric Generation Agency Joint Venture 4 (OMEGA JV4)
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)
Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

2. **Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

County Permissive Tax Fund - This fund receives permissive taxes from the County Auditor for constructing, maintaining, and repairing Village streets.

3. **Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Street Debt Service Fund - This fund receives special assessments for repayment of Ohio Public Works Commission (OPWC) loan.

4. **Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Projects Fund - This fund receives monies from the Ohio Water Development Authority (OWDA) and OPWC restricted for the water tower construction project.

5. **Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant Permanent Fund:

Cemetery Trust Fund - This fund accounts for monies received for the upkeep of the cemetery.

6. **Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Electric Fund - This fund receives charges for service from residents to cover electric service costs.

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/department level in the General Fund and at the fund level for all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Changes in Financial Statement Presentation

In 2010, the Village reported the financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. For 2011, the Village began reporting on a regulatory basis. The Village no longer presents entity wide financial statements. The fund financial statements present a column for each fund type, rather than a separate column for each major fund with non-major funds aggregated and presented in a single column.

3. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2011
Demand deposits	<u>\$2,095,067</u>
Certificates of deposit	<u>1,002,940</u>
Total deposits	<u><u>\$3,098,007</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

4. Budgetary Activity

Budgetary activity for the year ending December 31, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$758,425	\$800,311	\$41,886
Special Revenue	227,850	206,587	(21,263)
Debt Service	10,000	10,764	764
Capital Projects	170,285	281,465	111,180
Permanent	225	214	(11)
Enterprise	3,965,600	4,370,204	404,604
Total	\$5,132,385	\$5,669,545	\$537,160

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$688,409	\$653,715	\$34,694
Special Revenue	319,815	201,274	118,541
Debt Service	14,933	14,933	
Capital Projects	397,402	377,694	19,708
Enterprise	4,401,399	4,287,395	114,004
Total	\$5,821,958	\$5,535,011	\$286,947

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

6. Local Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission (OPWC) Loans	\$333,000	0 - 4.00%
Ohio Water Development Authority (OWDA) Loans	5,333,835	2 - 5.45%
AMP Loan	1,995,000	3.50%
Commercial Bank Loan	76,743	4.95%
Total	\$7,738,578	

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 term of the loan is 20 years, with the final maturity in 2015. The 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 final maturity in 2014. The 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 Sewer enterprise fund.

2004 Storm Sewer Improvements- This loan is for storm sewer improvements. The term of this loan is 20 years, with final maturity in 2027. This loan is being retired from the Sewer enterprise fund.

OWDA Loans- OWDA Loans consist of monies owed to the Ohio Water Development Authority for the following:

2009 Waterline and Storm Sewer Reconstruction – This loan is for waterline and storm sewer reconstruction. The term of this loan is 30 years, with final maturity in 2040. This loan is being retired from the Water and Sewer enterprise funds.

2010 Water Tower Construction – This loan is for construction of a new water tower. The term of this loan is 30 years, with final maturity in 2040. This loan is being retired from the Water and Sewer enterprise funds. The amortization schedule for this loan has not yet been finalized.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

7. Debt (Continued)

AMP Loan- On November 7, 1997, the Village obtained a loan from AMP 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 7, 2000, the loan agreement was amended to finance the cost of the Village's share of the OMEGA JV2 distribution generation project, in the amount of \$500,000. AS of October 27, 2005, the balance of the \$2,500,000 original issue loan was \$2,075,000.

On October 27, 2005, the loan agreement was reconstructed and an additional \$1,000,000 was made available for a new substation transformer and transmission line interconnecting with Toledo Edison.

In October 2008, because 85% of the \$1,000,000 funds were not spent within 3 years of the October 17, 2005 loan agreement, \$400,000 of the available monies was forfeited, leaving \$600,000 for the Village to draw on. The Village drew \$566,056 and \$4,623 in 2008 and 2009 respectively. The debt must be retired by the end of 2025. This loan will be repaid from the Electric enterprise fund.

Commercial Bank Loan- During 2009, the Village obtained a loan in the amount of \$84,000 to purchase a building. The loan has an interest rate of 4.95 percent and will mature in November 2024. The loan will be paid 15 percent from the Street special revenue fund, 10 percent from the Water enterprise fund, 10 percent from the Sewer enterprise fund, and 65 percent from the Electric enterprise fund.

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

Year ending December 31:	Admin Bldg Loan	OWDA Loan	OPWC Loans	AMP OHIO LOAN
2012	\$8,081	\$278,667	\$67,281	\$212,883
2013	8,081	278,667	67,280	212,883
2014	8,081	278,667	55,692	212,883
2015	8,081	278,667	29,169	212,883
2016	8,081	278,667	14,236	212,883
2017-2021	40,405	1,393,333	61,970	1,064,415
2022-2026	23,487	1,393,333	40,480	629,725
2027-2031		1,393,333	8,099	
2032-2036		1,393,333		
2037-2040		975,333		
Total	\$104,297	\$7,942,000	\$344,207	\$2,758,555

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). All other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

8. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2011, OP&F participants contributed 10 percent of their wages. For 2011, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

9. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc (the "Plan" or "OPRM"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). This Plan was formed on January 1, 2009 through an internal reorganization. Prior to 2009, the OPRM's financial information which related to the property and casualty line of business was included in a separate entity, the Ohio Government Risk Management Plan ("OGRMP"). Included in the OGRMP was an additional line of business for a health care product. The Plan was formed to separately manage the property and casualty product from the employee benefits products. The Village of Montpelier does not participate in the employee benefits products. The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15 percent of the premium and losses on the first \$250,000 casualty treaty and 10 percent of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 725 members as of December 31, 2009. The Village participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRRM and OPHC:

	2010	2009
Assets	\$12,036,000	\$11,176,000
Liabilities	(4,845,000)	(4,852,000)
Members' Equity	\$7,191,000	\$6,324,000

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

10. Related Party Transactions

The Village purchases various water and sewer parts from Artesian of Pioneer, Inc. which is owned by the Mayor of Pioneer. The Village paid \$1,169 in 2011.

11. Joint Ventures

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

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .86% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2011, the outstanding debt was \$23,633,931. The Village's net investment in OMEGA JV2 was \$252,177 at December 31, 2011. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

11. Joint Ventures (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2011 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	\$32,000	Grafton	0.79%	\$1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	95.20%	\$127,640		4.80%	6,441
			Grand Total	100.00%	\$134,081

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 cost 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.

The Villages net investment in JV4 was \$598,669 at December 31, 2011. 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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

11. Joint Ventures (Continued)

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

The Village is a Financing Participant with an ownership percentage of .76 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011, the Village has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$80,720 at December 31, 2011. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

11. Joint Ventures (Continued)

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

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

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

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011, the Village has met their debt coverage obligation.

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

OMEGA JV6 is managed by American Municipal Power, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project.

The Village's net investment to date in OMEGA JV6 was \$119,436 at December 31, 2011. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

11. Joint Ventures (Continued)

The ten participating subdivisions and their respective ownership shares at December 31, 2011 are:

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

12. Long Term Purchase Commitments

A. Prairie State Project

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus, a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007.

From July 2008, through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (the "Prairie State Bonds") to finance PSEC project costs and PSEC related expenses. The Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the aggregate principal amount of \$1,696,800,000.

AMP will sell the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "Prairie State Power Sales Contract") with 68 Members (the "Prairie State Participants"). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated 1,000 kilowatts of this project.

B. American Municipal Power Generating Station (AMPGS)

The Village is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

12. Long Term Purchase Commitments (Continued)

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. (Please see attached Joint Resolution No. 09-11-2891 dated November 24, 2009.) The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011 AMP has a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

12. Long Term Purchase Commitments (Continued)

Based on an allocation to the Village of 500 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village has a potential stranded cost obligation of \$81,778 for the AMPGS Project. The Village does not have any payments on deposit with AMP at December 31, 2011.

AMP Fremont Energy Center (AFEC) Development Fee

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board (please see attached Amended Minutes of May 3, 2011). The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$55,489 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 530 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2011.

Recording of Stranded Costs

The Village has not recorded stranded costs for the AMPGS Project.

The Village did not request an invoice from AMP for their potential stranded costs as of December 31, 2011. However, the Village did request an invoice for all of their potential stranded costs in February 2012. AMP invoiced the Village \$25,508 which was subsequently paid by the Village on February 9, 2012. The Village paid the costs from accumulated earnings without adjusting rates. The Village realizes the AMPGS Project is still incurring costs beyond this amount.

Had the Village chosen to record the potential stranded costs as an expense, the Village believes it would have not violated its covenant obligations for its Electric Fund bonds and its debt covenant obligations with Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture 5/6.

In making its determination as to how to proceed with the accounting treatment for the potential AMPGS Project liability, the Village has relied upon its Village Solicitor, information provided by AMP and its legal counsel with respect to the data, as well as the Village's audit team and Village management.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

12. Long Term Purchase Commitments (Continued)

C. Combined Hydroelectric Projects

AMP is currently developing three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, are being constructed and will be operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, in 2009 and 2010 AMP has issued in seven series \$2,045,425,000 of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of June 1, 2012, \$2,041,436,765 aggregate principal amount of the Combined Hydroelectric Bonds was outstanding.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated 1,000 kilowatts of this project.



Dave Yost • 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
409 South State Street
Pioneer, Ohio 43554-9657

To the Village Council:

We have audited the financial statements of the Village of Pioneer, Williams County, Ohio (the Village), as of and for the year ended December 31, 2011, and have issued our report thereon dated August 13, 2012 wherein we noted the Village changed its financial statement presentation method to conform to presentation method the Auditor of State prescribes. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be material weakness.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 13, 2012.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State

August 13, 2012

VILLAGE OF PIONEER
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011

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

FINDING NUMBER 2011-001

Material Weakness – Recording “On-Behalf” Grants

In 2011, Issue II grant monies, in the amount of \$111,180, were expended directly to contractors on behalf of the Village. These monies were not recorded in the Village's financial statements. Since the Ohio Public Works Commission paid the invoices, the Village did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund.

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

Officials' Response:

The finding is due to our misunderstanding of the requirements put forth by the Auditor of State. Corrective actions have been implemented by the Village to mitigate any further non-compliance.

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VILLAGE OF PIONEER
WILLIAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Weakness – GASB 54 Fund Balance Classification	Yes	

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Dave Yost • 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
AUGUST 28, 2012