



Dave Yost • Auditor of State



VILLAGE OF PIONEER  
WILLIAMS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Pioneer, Williams County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

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and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Pioneer, Williams County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 15, 2016

**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, 2015**

|   | General          | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|-----------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                      |                  |                    |                 |                     |                                |
| Property and Other Local Taxes                            | \$207,437        |                    |                 |                     | \$207,437                      |
| Municipal Income Tax                                      | 480,055          |                    |                 |                     | 480,055                        |
| Intergovernmental   | 50,061           | \$71,449           |                 |                     | 121,510                        |
| Special Assessments                                       |                  | 11,523             | \$26,484        |                     | 38,007                         |
| Charges for Services                                      | 53,206           | 7,440              |                 |                     | 60,646                         |
| Fines, Licenses and Permits                               | 4,745            | 35                 |                 |                     | 4,780                          |
| Earnings on Investments                                   | 3,534            | 12                 |                 | \$4                 | 3,550                          |
| Miscellaneous   | 62,812           | 4,047              |                 | 5,000               | 71,859                         |
| <i>Total Cash Receipts</i>                                | <u>861,850</u>   | <u>94,506</u>      | <u>26,484</u>   | <u>5,004</u>        | <u>987,844</u>                 |
| <b>Cash Disbursements</b>                                 |                  |                    |                 |                     |                                |
| Current:  |                  |                    |                 |                     |                                |
| Security of Persons and Property                          | 326,588          |                    |                 |                     | 326,588                        |
| Public Health Services                                    |                  | 14,560             |                 |                     | 14,560                         |
| Leisure Time Activities                                   | 45,478           |                    |                 |                     | 45,478                         |
| Community Environment                                     | 11,737           |                    |                 |                     | 11,737                         |
| Basic Utility Services                                    | 9,443            |                    |                 |                     | 9,443                          |
| Transportation  | 32,066           | 60,706             |                 |                     | 92,772                         |
| General Government  | 167,182          |                    |                 |                     | 167,182                        |
| Capital Outlay  | 436,585          | 40,078             |                 |                     | 476,663                        |
| Debt Service:   |                  |                    |                 |                     |                                |
| Principal Retirement                                      |                  | 12,111             | 13,530          |                     | 25,641                         |
| Interest and Fiscal Charges                               |                  |                    | 11,292          |                     | 11,292                         |
| <i>Total Cash Disbursements</i>                           | <u>1,029,079</u> | <u>127,455</u>     | <u>24,822</u>   |                     | <u>1,181,356</u>               |
| <i>Excess of Cash Receipts Over (Under) Disbursements</i> | <u>(167,229)</u> | <u>(32,949)</u>    | <u>1,662</u>    | <u>5,004</u>        | <u>(193,512)</u>               |
| <b>Other Financing Receipts (Disbursements)</b>           |                  |                    |                 |                     |                                |
| Other Financing Sources                                   |                  | 24,735             |                 |                     | 24,735                         |
| Other Financing Uses                                      |                  | (100,000)          |                 |                     | (100,000)                      |
| <i>Total Other Financing Receipts (Disbursements)</i>     |                  | <u>(75,265)</u>    |                 |                     | <u>(75,265)</u>                |
| <i>Net Change in Fund Cash Balances</i>                   | <u>(167,229)</u> | <u>(108,214)</u>   | <u>1,662</u>    | <u>5,004</u>        | <u>(268,777)</u>               |
| <i>Fund Cash Balances, January 1</i>                      | <u>745,644</u>   | <u>417,965</u>     | <u>14,022</u>   | <u>22,504</u>       | <u>1,200,135</u>               |
| <b>Fund Cash Balances, December 31</b>                    |                  |                    |                 |                     |                                |
| Restricted  |                  | 309,751            | 15,684          | 27,508              | 352,943                        |
| Assigned  | 137,065          |                    |                 |                     | 137,065                        |
| Unassigned  | 441,350          |                    |                 |                     | 441,350                        |
| <i>Fund Cash Balances, December 31</i>                    | <u>\$578,415</u> | <u>\$309,751</u>   | <u>\$15,684</u> | <u>\$27,508</u>     | <u>\$931,358</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, 2015**

|   | <u>Proprietary<br/>Fund Type</u> |
|---|----------------------------------|
|   | <u>Enterprise</u>                |
| <b>Operating Cash Receipts</b>                      |                                  |
| Charges for Services                                | \$4,260,518                      |
| Miscellaneous                                       | 138,791                          |
| <i>Total Operating Cash Receipts</i>                | <u>4,399,309</u>                 |
| <b>Operating Cash Disbursements</b>                 |                                  |
| Personal Services                                   | 495,681                          |
| Transportation                                      | 6,336                            |
| Contractual Services                                | 2,735,749                        |
| Supplies and Materials                              | 132,129                          |
| Other - Capital Outlay                              | 153,200                          |
| <i>Total Operating Cash Disbursements</i>           | <u>3,523,095</u>                 |
| <i>Operating Income</i>                             | <u>876,214</u>                   |
| <b>Non-Operating Receipts (Disbursements)</b>       |                                  |
| Principal Retirement                                | (901,924)                        |
| Interest and Other Fiscal Charges                   | (168,236)                        |
| Other Financing Sources                             | 6,900                            |
| Other Financing Uses                                | (7,650)                          |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(1,070,910)</u>               |
| <i>Net Change in Fund Cash Balances</i>             | (194,696)                        |
| <i>Fund Cash Balances, January 1</i>                | <u>2,215,039</u>                 |
| <i>Fund Cash Balances, December 31</i>              | <u><u>\$2,020,343</u></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)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | General          | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|-----------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                      |                  |                    |                 |                     |                                |
| Property and Other Local Taxes                            | \$213,958        |                    |                 |                     | \$213,958                      |
| Municipal Income Tax                                      | 444,281          |                    |                 |                     | 444,281                        |
| Intergovernmental   | 47,286           | \$93,481           |                 |                     | 140,767                        |
| Special Assessments                                       |                  | 10,167             | \$30,568        |                     | 40,735                         |
| Charges for Services                                      | 51,215           | 12,532             |                 |                     | 63,747                         |
| Fines, Licenses and Permits                               | 4,657            | 25                 |                 |                     | 4,682                          |
| Earnings on Investments                                   | 7,772            |                    |                 | \$3                 | 7,775                          |
| Miscellaneous   | 72,543           | 9,095              |                 | 7,500               | 89,138                         |
| <i>Total Cash Receipts</i>                                | <u>841,712</u>   | <u>125,300</u>     | <u>30,568</u>   | <u>7,503</u>        | <u>1,005,083</u>               |
| <b>Cash Disbursements</b>                                 |                  |                    |                 |                     |                                |
| Current:  |                  |                    |                 |                     |                                |
| Security of Persons and Property                          | 324,329          |                    |                 |                     | 324,329                        |
| Public Health Services                                    |                  | 15,025             |                 |                     | 15,025                         |
| Leisure Time Activities                                   | 50,559           |                    |                 |                     | 50,559                         |
| Community Environment                                     | 11,238           |                    |                 |                     | 11,238                         |
| Basic Utility Services                                    | 1,703            |                    |                 |                     | 1,703                          |
| Transportation  | 98,791           | 133,379            |                 |                     | 232,170                        |
| General Government  | 172,916          |                    |                 |                     | 172,916                        |
| Capital Outlay  | 67,623           | 9,428              |                 |                     | 77,051                         |
| Debt Service:   |                  |                    |                 |                     |                                |
| Principal Retirement                                      |                  | 3,864              | 35,330          |                     | 39,194                         |
| Interest and Fiscal Charges                               |                  |                    | 12,212          |                     | 12,212                         |
| <i>Total Cash Disbursements</i>                           | <u>727,159</u>   | <u>161,696</u>     | <u>47,542</u>   |                     | <u>936,397</u>                 |
| <i>Excess of Cash Receipts Over (Under) Disbursements</i> | <u>114,553</u>   | <u>(36,396)</u>    | <u>(16,974)</u> | <u>7,503</u>        | <u>68,686</u>                  |
| <b>Other Financing Receipts</b>                           |                  |                    |                 |                     |                                |
| Other Financing Sources                                   |                  | 14,735             |                 |                     | 14,735                         |
| <i>Net Change in Fund Cash Balances</i>                   | <u>114,553</u>   | <u>(21,661)</u>    | <u>(16,974)</u> | <u>7,503</u>        | <u>83,421</u>                  |
| <i>Fund Cash Balances, January 1</i>                      | <u>631,091</u>   | <u>439,626</u>     | <u>30,996</u>   | <u>15,001</u>       | <u>1,116,714</u>               |
| <b>Fund Cash Balances, December 31</b>                    |                  |                    |                 |                     |                                |
| Restricted  |                  | 417,965            | 14,022          | 22,504              | 454,491                        |
| Assigned  | 244,659          |                    |                 |                     | 244,659                        |
| Unassigned  | 500,985          |                    |                 |                     | 500,985                        |
| <i>Fund Cash Balances, December 31</i>                    | <u>\$745,644</u> | <u>\$417,965</u>   | <u>\$14,022</u> | <u>\$22,504</u>     | <u>\$1,200,135</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, 2014**

|   | <u>Proprietary<br/>Fund Type</u> |
|---|----------------------------------|
|   | <u>Enterprise</u>                |
| <b>Operating Cash Receipts</b>                      |                                  |
| Charges for Services                                | \$4,369,083                      |
| Miscellaneous                                       | 123,111                          |
|   | <hr/>                            |
| <i>Total Operating Cash Receipts</i>                | <i>4,492,194</i>                 |
|   | <hr/>                            |
| <b>Operating Cash Disbursements</b>                 |                                  |
| Personal Services                                   | 545,359                          |
| Transportation                                      | 4,742                            |
| Contractual Services                                | 2,839,868                        |
| Supplies and Materials                              | 125,262                          |
| Other - Capital Outlay                              | 48,348                           |
|   | <hr/>                            |
| <i>Total Operating Cash Disbursements</i>           | <i>3,563,579</i>                 |
|   | <hr/>                            |
| <i>Operating Income</i>                             | <i>928,615</i>                   |
|   | <hr/>                            |
| <b>Non-Operating Receipts (Disbursements)</b>       |                                  |
| Principal Retirement                                | (927,589)                        |
| Interest and Other Fiscal Charges                   | (181,847)                        |
| Other Financing Sources                             | 7,050                            |
| Other Financing Uses                                | (6,416)                          |
|   | <hr/>                            |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <i>(1,108,802)</i>               |
|   | <hr/>                            |
| <i>Net Change in Fund Cash Balances</i>             | <i>(180,187)</i>                 |
|   | <hr/>                            |
| <i>Fund Cash Balances, January 1</i>                | <i>2,395,226</i>                 |
|   | <hr/>                            |
| <i>Fund Cash Balances, December 31</i>              | <i><u><u>\$2,215,039</u></u></i> |

*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, 2015 AND 2014**

**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 Plan Risk Management, Inc., a public entity risk pool. Note 8 to the financial statements provide additional information for the entity.

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

Joint Ventures 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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:

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Economic Development Fund – This fund issues loans to and receives repayment from qualifying local businesses.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

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

Water / Sewer Debt Service Fund - This fund receives special assessments for repayment of Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) loans.

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

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

**5. Enterprise Funds**

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

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

VILLAGE OF PIONEER  
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

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, 2015 AND 2014  
(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. 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:

|                                       | 2015        | 2014        |
|---------------------------------------|-------------|-------------|
| Demand deposits                       | \$2,424,192 | \$2,892,670 |
| Certificates of deposit               | 500,000     | 500,000     |
| Other time deposits (savings account) | 27,509      | 22,504      |
| Total deposits                        | \$2,951,701 | \$3,415,174 |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution’s public entity deposit pool.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

| 2015 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$851,874            | \$861,850          | \$9,976     |
| Special Revenue                   | 115,485              | 119,241            | 3,756       |
| Debt Service                      | 27,500               | 26,484             | (1,016)     |
| Capital Projects                  | 5,003                | 5,004              | 1           |
| Enterprise                        | 4,728,599            | 4,406,209          | (322,390)   |
| Total                             | \$5,728,461          | \$5,418,788        | (\$309,673) |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$1,046,533                | \$1,032,722               | \$13,811  |
| Special Revenue                                       | 246,877                    | 227,595                   | 19,282    |
| Debt Service  | 24,822                     | 24,822                    |           |
| Enterprise  | 5,144,350                  | 4,602,165                 | 542,185   |
| Total   | \$6,462,582                | \$5,887,304               | \$575,278 |

| 2014 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$765,649            | \$841,712          | \$76,063  |
| Special Revenue                   | 135,510              | 140,035            | 4,525     |
| Debt Service                      | 25,800               | 30,568             | 4,768     |
| Capital Projects                  | 5,001                | 7,503              | 2,502     |
| Enterprise                        | 4,007,600            | 4,499,244          | 491,644   |
| Total                             | \$4,939,560          | \$5,519,062        | \$579,502 |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$765,595                  | \$730,407                 | \$35,188  |
| Special Revenue                                       | 270,624                    | 161,696                   | 108,928   |
| Debt Service  | 51,500                     | 47,542                    | 3,958     |
| Enterprise  | 4,765,283                  | 4,684,871                 | 80,412    |
| Total   | \$5,853,002                | \$5,624,516               | \$228,486 |

**VILLAGE OF PIONEER  
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**4. 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.

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

**5. 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.

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

|   | <u>Principal</u>   | <u>Interest Rate</u> |
|---|--------------------|----------------------|
| Ohio Public Works Commission (OPWC) Loans     | \$124,782          | 0%                   |
| Ohio Water Development Authority (OWDA) Loans | 5,113,019          | 2 - 5.45%            |
| Total   | <u>\$5,237,801</u> |                      |

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

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 the loan is 20 years, with the final maturity in 2027. The 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.

**VILLAGE OF PIONEER  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**6. DEBT – continued**

2010 Water Tower Construction – This loan is for construction of a new water tower. The term of this loan is 30 years, with maturity in 2040. This loan is being retired from the Water and Sewer enterprise funds.

OPWC Loan – During 1994, the Village obtained a loan in the amount of \$317,044 to make improvements to their water treatment plant. The loan was paid off during 2014.

OPWC Loan – During 1995, the Village obtained a loan in the amount of \$408,500 to make improvements to a street. The loan was paid off during 2015.

AMP Ohio Loan – During 1997, the Village obtained a loan in the amount of \$2,645,679 to make improvements to their electrical system and to finance the Village’s share of the OMEGA JV4 transmission project. This loan was paid off during 2015.

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

| Year ending<br>December 31: | <u>OWDA Loans</u>  | <u>OPWC Loans</u> |
|-----------------------------|--------------------|-------------------|
| 2016                        | \$280,406          | \$14,236          |
| 2017                        | 280,983            | 14,236            |
| 2018                        | 281,591            | 14,236            |
| 2019                        | 282,232            | 14,235            |
| 2020                        | 282,909            | 11,166            |
| 2021-2025                   | 1,426,088          | 40,481            |
| 2026-2030                   | 1,449,596          | 16,192            |
| 2031-2035                   | 1,480,357          |                   |
| 2036-2040                   | 1,381,272          |                   |
| Total                       | <u>\$7,145,434</u> | <u>\$124,782</u>  |

**7. 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.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OP&F participants contributed 10.75 percent until July 1, 2014; 11.5 percent until July 1, 2015 then 12.25 percent of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. For 2015 and 2014, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2015.

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**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

|                 | <b>2013</b>         | <b>2014</b>         |
|-----------------|---------------------|---------------------|
| Assets          | <u>\$13,774,304</u> | <u>\$14,830,185</u> |
| Liabilities     | <u>(7,968,395)</u>  | <u>(8,942,504)</u>  |
| Members' Equity | <u>\$5,805,909</u>  | <u>\$5,887,681</u>  |

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF PIONEER  
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**9. RELATED PARTY TRANSACTIONS**

The Village purchases various water and sewer parts from Artesian of Pioneer, Inc., which is owned by the Mayor of Pioneer. During 2015 and 2014, the Village paid \$365 and \$7,681, respectively, to this company.

**10. MISCELLANEOUS RECEIPTS**

In 2015 and 2014, General Fund Miscellaneous Receipts primarily consisted of the employee's portion of their health insurance costs and various rental receipts. Miscellaneous receipts in the Capital Project funds consisted of donations received from the local American Legion Post.

**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 Joint Venture (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 position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2015, the outstanding debt was \$8,052,470. The Village's net investment in OMEGA JV2 was \$143,262 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

**VILLAGE OF PIONEER  
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**11. JOINT VENTURES**

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

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

On an audited basis, the Village's net investment to date in OMEGA JV4 was \$329,955 at December 31, 2015. Complete financial statements for OMEGA JV4 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

**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.

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**11. JOINT VENTURES – continued**

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, 2015, the Village has met its debt coverage obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014 all of the 2004 BIRCs were redemmed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$22,708 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

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**11. JOINT VENTURES – continued**

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

The Village is a Financing Participant with an ownership percentage of 1.39%, and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can 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, 2015, 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. On August 15, 2015 the remaining balance was paid on the OMEGA JV6 Bonds. The Village's net obligation for these bonds at December 31, 2015 was \$0 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

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**11. JOINT VENTURES – continued**

The Village’s net investment to date in OMEGA JV6 was \$80,033 at December 31, 2015. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor’s website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The ten participating subdivisions and their respective ownership shares at December 31, 2015 are:

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

**12. LONG TERM PURCHASE COMMITMENTS**

**A. Prairie State Energy Campus**

On December 20, 2007, AMP acquired 368,000kW or an effective 23.26 percent 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.

Campus Revenue Bonds (the “Prairie State Bonds”) were issued 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 sells 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 Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Project. 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.

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**12. LONG TERM PURCHASE COMMITMENTS – continued**

**B. American Municipal Power Generating Station (AMPGS)**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 500 kilowatts of a total 771,281 kilowatts, giving the Village a 0.06 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$85,329. The Village received a credit of \$56,955 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$22,612 related to the AMPGS costs deemed to have future benefit for the project participants, and made payments of \$25,508 leaving a net credit balance of impaired cost estimate of \$19,746. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable. Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$664, and interest credited to the Village has been \$282, resulting in a net credit balance at December 31, 2015 of \$19,364.

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

**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, will be constructed and operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects. AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility and Smithland hydroelectric facility, respectively in 2009. Ground breaking ceremonies were held for Cannelton on August 25, 2009 and for Smithland on September 1, 2010. AMP received the last of the material permits for the Willow Island hydroelectric facility in the last quarter of 2010 and ground breaking ceremonies took place on July 21, 2011.

All major contracts for the projects which include the turbines, the powerhouse construction, the powerhouse gates, the powerhouse cranes, and the transformers have been awarded for the Cannelton, Smithland, and Willow Island facilities. And property right-of-way acquisitions for the transmission lines have been completed for all three projects.

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**12. LONG TERM PURCHASE COMMITMENTS – continued**

On February 12, 2015, AMP reached agreement with Barnard Construction Company, Inc. (“Barnard”) to serve as the replacement powerhouse contractor on AMP’s Smithland Hydroelectric Project (“Smithland Project”), which is one of the three projects constituting the Combined Hydroelectric Projects replacing C.J. Mahan whose contract was terminated by mutual agreement between AMP and C.J. Mahan. Barnard is a highly experienced hydropower construction contractor. AMP and Barnard are working together to achieve an orderly transition of the Smithland Project from the prior powerhouse contractor. Nearly all of the subcontractors currently working on the Smithland Project have been retained. The Project Engineer, MWH Americas, Inc., all owner furnished equipment suppliers and all other prime contractors remain in place.

AMP is projecting that the Combined Hydroelectric Projects are expected to enter into commercial operation as follows: Willow Island’s First Unit in December 2015, and the Second Unit in January 2016. Cannelton’s First Unit in January 2016; Second and Third Unit in February 2016.

The Smithland Project’s First Unit is expected to enter into commercial operation in September 2016, the Second Unit in October 2016 and the Third Unit in November 2016; however this could be affected by this transition, but at this point, AMP management believes that there will be no negative effect. AMP will supplement this notice when and if AMP expects a materially different commercial operation date for the Smithland Project.

Please note that these projected commercial operation dates set forth above are, and the other information herein is, subject to change and are dependent on a number of factors affecting each Project’s overall remaining construction schedule, including weather. As a result, the commercial operation dates may occur earlier or later than the time frames set forth above.

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.

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.

**D. AMP Fremont Energy Center (AFEC)**

On February 3, 2011 American Municipal Power, Inc. (AMP) entered into a non-binding memorandum of understanding (MOU) with FirstEnergy Corp. regarding the Fremont Energy Center (AFEC). AFEC is a 707 MW natural gas fired combined cycle generation plant, located near the Town of Fremont, Ohio. The closing date to purchase the plant was July 28, 2011. AMP’s acquisition of the plant was financed with draws on an additional line of credit for \$600,000,000 secured solely for the purpose of purchasing the plant.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**12. LONG TERM PURCHASE COMMITMENTS – continued**

To provide permanent financing for the AFEC Project on June 29, 2012 AMP issued in two series \$546,085,000 of its AMP Fremont Center Project Revenue Bonds consisting of taxable and tax-exempt obligations to (i) with other available funds, to repay the \$600,000,000 principal amount of an interim loan that financed the acquisition of AFEC and development costs and completion of construction and commissioning of AFEC; (ii) to make deposits to the construction accounts under the Indenture to finance additional capital expenditures allocable to AMP's 90.69% undivided ownership interest in AFEC; (iii) to fund deposits to certain reserve accounts; and (iv) to pay the costs of issuance of the Series 2012 Bonds.

On January 21, 2012 AFEC began commercial operation. The total cost of construction of the AFEC at the date it was placed in service was \$582,200,642. This amount included a development fee of \$35,535,448 paid by AFEC participants for the AMP Generating Station participants who are also AFEC participants. The amount was previously recorded as a noncurrent regulatory asset at December 31, 2011. In June 2012, AMP sold 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency ("MPPA) and entered into a power sales contract with Central Virginia Electric Cooperative ("CVEC) for the output of a 4.15% interest in AFEC. AMP has sold the output of the remaining 90.69% interest to the AFEC participants, which consist of 87 of its members, pursuant to a take-or-pay power sales contract.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated 700 kilowatts of this project.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**13. SEGMENT INFORMATION**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 11. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

|   | <u>2015</u>               | <u>2014</u>               |
|---|---------------------------|---------------------------|
| Total Assets  | \$1,352,502               | \$1,644,798               |
| Total Liabilities   | \$610,587                 | \$1,360,921               |
| <br><b>Condensed Operating Information:</b>               |                           |                           |
| Operating Receipts  |                           |                           |
| Charges for Services                                      | 3,521,838                 | 3,630,512                 |
| Other Operating Receipts                                  | <u>137,558</u>            | <u>122,195</u>            |
| Total Operating Receipts                                  | 3,659,396                 | 3,752,707                 |
| <br>Operating Expenses                                    | <br><u>3,182,166</u>      | <br><u>3,206,238</u>      |
| <br>Operating Income                                      | <br>477,230               | <br>546,469               |
| <br>Nonoperating Receipts (Disbursements)                 |                           |                           |
| Principal Payments  | (762,499)                 | (780,468)                 |
| Interest Payments   | <u>(7,027)</u>            | <u>(16,285)</u>           |
| Change in Fund Cash Balance                               | (292,296)                 | (250,284)                 |
| Beginning Fund Cash Balance                               | <u>1,644,798</u>          | <u>1,895,082</u>          |
| Ending Fund Cash Balance                                  | <u><u>\$1,352,502</u></u> | <u><u>\$1,644,798</u></u> |
| <br><b>Condensed Cash Flows Information:</b>              |                           |                           |
|   | <u>2015</u>               | <u>2014</u>               |
| Net Cash Provided by:                                     |                           |                           |
| Operating Activities                                      | \$477,230                 | \$546,469                 |
| <br>Capital and Related Financing Activities              |                           |                           |
| Principal Payments on Capital and Related Debt            | (762,499)                 | (780,468)                 |
| Interest Payments on Capital and Related Debt             | <u>(7,027)</u>            | <u>(16,285)</u>           |
| Net Cash Used by Capital and Related Financing Activities | (769,526)                 | (796,753)                 |
| <br>Net Decrease  | <br>(292,296)             | <br>(250,284)             |
| Beginning Fund Cash Balance                               | <u>1,644,798</u>          | <u>1,895,082</u>          |
| Ending Fund Cash Balance                                  | <u><u>\$1,352,502</u></u> | <u><u>\$1,644,798</u></u> |

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**13. SEGMENT INFORMATION**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 11. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

|   | 2015          | 2014          |
|---|---------------|---------------|
| Total Assets  | \$1,352,502   | \$1,644,798   |
| Total Liabilities   | \$610,587     | \$1,360,921   |
| <br><b>Condensed Operating Information:</b>               |               |               |
| Operating Receipts  |               |               |
| Charges for Services                                      | 3,521,838     | 3,630,512     |
| Other Operating Receipts                                  | 137,558       | 122,195       |
| Total Operating Receipts                                  | 3,659,396     | 3,752,707     |
| <br>Operating Expenses                                    | <br>3,182,166 | <br>3,206,238 |
| <br>Operating Income                                      | <br>477,230   | <br>546,469   |
| <br>Nonoperating Receipts (Disbursements)                 |               |               |
| Principal Payments  | (762,499)     | (780,468)     |
| Interest Payments   | (7,027)       | (16,285)      |
| Change in Fund Cash Balance                               | (292,296)     | (250,284)     |
| Beginning Fund Cash Balance                               | 1,644,798     | 1,895,082     |
| Ending Fund Cash Balance                                  | \$1,352,502   | \$1,644,798   |
| <br><b>Condensed Cash Flows Information:</b>              |               |               |
|   | 2015          | 2014          |
| Net Cash Provided by:                                     |               |               |
| Operating Activities                                      | \$477,230     | \$546,469     |
| <br>Capital and Related Financing Activities              |               |               |
| Principal Payments on Capital and Related Debt            | (762,499)     | (780,468)     |
| Interest Payments on Capital and Related Debt             | (7,027)       | (16,285)      |
| Net Cash Used by Capital and Related Financing Activities | (769,526)     | (796,753)     |
| <br>Net Decrease  | (292,296)     | (250,284)     |
| Beginning Fund Cash Balance                               | 1,644,798     | 1,895,082     |
| Ending Fund Cash Balance                                  | \$1,352,502   | \$1,644,798   |



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type, of the Village of Pioneer, Williams County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 15, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

July 15, 2016

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2015-001**

**Material Weakness - Fund Balance Classification**

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed such as encumbrance within the general fund. When appropriation measures are adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource (appropriated for general fund uses or appropriations exceed estimated receipts), then that portion of fund balance should be classified as assigned.

A portion of the General Fund should be been designated as assigned for a budgetary resource and assigned for encumbrances in the total amount of \$75,374 at December 31, 2014 and \$78,465 at December 31, 2015.

A final review of the financial statements may have detected these errors.

Adjustments were recorded to the financial statements to classify a portion of the fund balance as assigned.

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

**FINDING NUMBER 2015-002**

**Material Weakness – Financial Reporting**

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

In 2015, a new revolving loan expenditure of \$100,000 to a local business was made from the Economic Development fund; however, it was posted as a capital outlay expenditure. According to the Village Officers Handbook, capital outlay expenditures generally involve the purchase of land, equipment and vehicles, acquisition or construction of buildings, structures, improvements to facilities and land. Disbursing revolving loan proceeds is more of an "other financing use" and should be posted as such.

A final review of the financial statements may have detected the error.

An adjustment was recorded in the accompanying financial statements to correct this error.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Village Council, to identify and correct errors and omissions.

**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, 2015 AND 2014

| 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> |
|----------------|---|------------------|--|
| 2013-001       | Material weakness due to no recording "On-Behalf" Grants. | 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 2, 2016