



**Auditor of State
Betty Montgomery**

VILLAGE OF PIONEER
WILLIAMS COUNTY

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**Auditor of State
Betty Montgomery**

Village of Pioneer
Williams County
205 South State Street
Pioneer, Ohio 43554-9000

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 a February 2, 2005 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 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 22, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Pioneer
Williams County
205 South State Street
Pioneer, Ohio 43554-9000

To the Village Council:

We have audited the accompanying financial statements of the Village of Pioneer, Williams County, (the Village) as of and for the year ended December 31, 2004. 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 that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected

not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds 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 Montpelier, Williams County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2005, 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.



Betty Montgomery
Auditor of State

September 22, 2005

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$526,444	\$89,334		\$615,778
Special Assessments			\$11,658	11,658
Intergovernmental Receipts	89,625	99,213		188,838
Charges for Services	41,888	14,000		55,888
Fines, Licenses, and Permits	2,006	221		2,227
Earnings on Investments	14,971	5,138		20,109
Miscellaneous	53,338			53,338
	<u>728,272</u>	<u>207,906</u>	<u>11,658</u>	<u>947,836</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	236,714	1,263		237,977
Public Health Services	7,612	23,603		31,215
Leisure Time Activities	45,078			45,078
Community Environment	4,187			4,187
Transportation	2,345	46,785		49,130
General Government	153,110	3,010		156,120
Debt Service		386,599		386,599
Capital Outlay	99,097	19,384		118,481
	<u>548,143</u>	<u>480,644</u>		<u>1,028,787</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>180,129</u>	<u>(272,738)</u>	<u>11,658</u>	<u>(80,951)</u>
Other Financing Cash Receipts/(Disbursements):				
Sale of Fixed Assets	6,889			6,889
Sale of Notes		245,000		245,000
Transfers-In	830	70,097		70,927
Transfers-Out	(31,411)	(61,569)		(92,980)
Advances-In	5,000			5,000
	<u>(18,692)</u>	<u>253,528</u>		<u>234,836</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	161,437	(19,210)	11,658	153,885
Fund Cash Balances, January 1	<u>58,429</u>	<u>397,723</u>		<u>456,152</u>
Fund Cash Balances, December 31	<u>\$219,866</u>	<u>\$378,513</u>	<u>\$11,658</u>	<u>\$610,037</u>

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR
FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$2,535,148		\$2,535,148
Miscellaneous	116,762		116,762
Total Operating Cash Receipts	2,651,910		2,651,910
Operating Cash Disbursements:			
Personal Services	386,483		386,483
Fringe Benefits	14,510		14,510
Contractual Services	1,831,987		1,831,987
Supplies and Materials	96,736		96,736
Capital Outlay	231,829	\$12,400	244,229
Total Operating Cash Disbursements	2,561,545	12,400	2,573,945
Operating Income/(Loss)	90,365	(12,400)	77,965
Non-Operating Cash Receipts:			
Interest		1,045	1,045
Proceeds from Notes and Bonds	350,000		350,000
Total Non-Operating Cash Receipts	350,000	1,045	351,045
Non-Operating Cash Disbursements:			
Debt Service	676,651		676,651
Excess of Cash Disbursements Over Cash Receipts Before Interfund Transfers and Advances	(236,286)	(11,355)	(247,641)
Transfers-In	22,053		22,053
Advances-Out	(5,000)		(5,000)
Net Cash Disbursements Over Cash Receipts	(219,233)	(11,355)	(230,588)
Fund Cash Balances, January 1	1,183,885	66,221	1,250,106
Fund Cash Balances, December 31	\$964,652	\$54,866	\$1,019,518

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, 2004**

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 governs the Village. The Village provides electric, water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue funds:

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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

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

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 the retirement of debt issued to construct, maintain, and repair Village Streets.

4. Enterprise Funds

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

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

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

5. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary fund:

Cemetery Trust Fund - This fund receives a portion of the receipts from the sale of cemetery lots and interest earnings. Interest income is to be used for Cemetery maintenance and upkeep costs.

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 level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

F. 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.

G. 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 CASH AND INVESTMENTS

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

Cash on hand	\$100
Demand deposits	844,395
Certificates of deposit	<u>551,174</u>
Total deposits and cash on hand	<u>1,395,669</u>
STAR Ohio	<u>233,886</u>
Total investments	<u>233,886</u>
Total deposits, cash on hand, and investments	<u><u>\$1,629,555</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$732,700	\$735,991	\$3,291
Special Revenue	432,200	523,003	90,803
Debt Service		11,658	11,658
Enterprise	3,111,002	3,023,963	(87,039)
Fiduciary	4,538	1,044	(3,494)
Total	\$4,280,440	\$4,295,659	\$15,219

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$850,559	\$579,553	\$271,006
Special Revenue	775,593	542,213	233,380
Enterprise	4,289,885	3,238,196	1,051,689
Fiduciary	70,760	12,400	58,360
Total	\$5,986,797	\$4,372,362	\$1,614,435

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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, 2004 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$601,283	0% - 4%
General Obligation Promissory Notes	21,986	4.25%
AMP Ohio Loan	2,075,000	1.35%
Bond Anticipation Notes	595,000	1.95%
Total	\$3,293,269	

The Ohio Public Works Commission (OPWC) loans related to improvements made to the water treatment plant, various streets, and storm sewers. The loans will be repaid in semi-annual installments through the year 2020.

The Promissory Notes relate to projects for water and street improvements. The loans will be repaid in varying annual installments through the year 2006.

The Village entered into a loan agreement with American Municipal Power – Ohio, Inc. (AMP-Ohio) for an amount of \$2,400,000 for the purpose of providing financing for the acquisition and installation of electric system improvements.

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

On the maturity date of each series of the Notes maturing on or before October 28, 2005, the Village will pay to AMP-Ohio all interest due on the Notes plus any amount of principal up to the original principal amount of such series, and on the maturity date of such series of the Notes plus an amount of principal equal to the amount of principal amount which would be due in the corresponding year on a loan in the original amount of such series, for a term of 20 years, at the interest rate borne by such series of the Notes.

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

The Bond Anticipation Notes relate to sanitary sewer improvements and to a fire truck loan. The loans were financed with bond anticipation notes on May 27, 2004.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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

<u>Year ending December 31:</u>	<u>OPWC Loans</u>	<u>General Obligation Promissory Notes</u>	<u>Wastewater System Revenue Bond Anticipation Note</u>	<u>Fire Truck Bond Anticipation Note</u>
2005	\$70,013	\$14,809	\$356,825	\$249,778
2006	70,013	8,203		
2007	70,013			
2008	70,013			
2009	70,013			
2010-2020	349,275			
Total	<u>\$699,340</u>	<u>\$23,012</u>	<u>\$356,825</u>	<u>\$249,778</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK POOL MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 of casualty losses and the lesser of 5 percent or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

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

9. JV 5 JOINT VENTURE

The Village of Pioneer is a Financing Participant with an ownership percentage of .92 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004 Pioneer 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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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

The Village's net investment to date in OMEGA JV5 was \$79,535 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

10. JV 2 JOINT VENTURE

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

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$403,222 at December 31, 2004. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2004 are:

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the Village financed primarily by user charges are refuse collection, water treatment and distribution, wastewater collection and treatment, electric utility services. The key financial information for the year ended December 31, 2004 for these enterprise activities are indicated below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Utility Deposits Fund</u>	<u>Refuse Fund</u>	<u>Total Enterprise Funds</u>
Operating Cash Receipts	\$162,017	\$241,739	\$2,193,401	\$7,950	\$46,803	\$2,651,910
Debt Service	35,494	422,934	218,223			676,651
Capital Outlay	49,544	129,860	52,425			231,829
Operating Cash Disbursements (Less Capital Outlay)	106,603	150,918	2,020,419	7,015	44,761	2,329,716
Fund Cash Balances at 12-31-04	47,625	266,982	595,202	\$27,493	27,350	964,652
Operating Loss/Income	5,871	(39,038)	120,556	934	2,042	90,365
Net Receipt over Disbursements	(34,622)	(111,973)	(75,614)	934	2,042	(219,233)

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**Auditor of State
Betty Montgomery**

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

Village of Pioneer
Williams County
205 South State Street
Pioneer, Ohio 43554-9000

We have audited the financial statements of the Village of Pioneer, Williams County, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 22, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated September 22, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated September 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

September 22, 2005

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

Reportable Condition - Estimated Revenue Posting

Estimated resources booked in the Village's ledgers should reflect amounts approved by the County budget commission and Village Council. The Clerk-Treasurer did not enter any estimated resources in the Village's ledgers during 2004. As a result, legally adopted estimated revenue as approved by Village Council did not agree with estimated revenue amounts included in the Village's ledgers in any funds. This resulted in inaccurate budgetary reports which could make it difficult for management to make informed decisions regarding whether the Village's actual receipts are sufficient to support appropriated disbursements.

We recommend that the Clerk-Treasurer post estimated revenues to the Village's computerized ledgers based upon amounts approved by Village Council and the County Budget Commission on the Amended Official Certificate of Estimated Resources. As part of the monitoring process, the Clerk-Treasurer and Council should review the records to ensure that all budgeted amounts are properly reflected in the appropriate funds and the actual receipts are sufficient to cover appropriated disbursements.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Revised Code § 5705.41(D) Improper Encumbering	No	Partially corrected. Reported in the management letter.
2003-002	Ohio Revised Code § 5705.40 Approved appropriations not posted to the system	No	Partially corrected. Reported in the management letter.
2003-003	Ohio Revised Code § 5705.10 Misposting revenues to the incorrect fund	No	Partially corrected. Reported in the management letter.
2003-004	Recommendation: Estimated Revenue Posting	No	Not corrected. Reissued as Finding Number 2004-001.



**Auditor of State
Betty Montgomery**

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VILLAGE OF PIONEER

WILLIAMS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2005**