



**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF PIONEER  
WILLIAMS COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Pioneer, Williams County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pioneer, Williams County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General and Economic Development funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

September 12, 2008

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED**

The discussion and analysis of the Village of Pioneer's (the Village) financial performance provides an overview of the Village's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the Village's financial performance as a whole, within the limitations of the cash basis of accounting.

**Using this Annual Report**

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

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

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

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

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

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at fiscal year end. The statement of activities compares cash disbursements with program receipts for each department of the Village's governmental and business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each department draws from the Village's general receipts.

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

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

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

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

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

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

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

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

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

**Government-Wide Financial Analysis**

Table 1 provides a summary of the Village's net assets for 2007 and 2006.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current and Other Assets	\$667,225	\$750,133	\$1,793,618	\$1,339,273	\$2,460,843	\$2,089,406
<u>Net Assets</u>						
Restricted	\$541,381	\$530,213			\$541,381	\$530,213
Unrestricted	125,844	219,920	\$1,793,618	\$1,339,273	1,919,462	1,559,193
Total Net Assets	\$667,225	\$750,133	\$1,793,618	\$1,339,273	\$2,460,843	\$2,089,406

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

Net assets for governmental activities decreased by almost \$83,000 (or 11 percent). While several receipt resources had a decrease from the prior year, a significant factor contributing to this decrease in net assets was the expiration of a 4 mil levy for fire and rescue operations.

Net assets for business-type activities increased almost 34 percent. While overall receipts remained very comparable to the prior year, disbursements decreased for three of the Village's four utilities, particularly for contractual services required in the Electric fund.

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

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Receipts</u>						
Program Receipts						
Charges for Services	\$72,490	\$87,124	\$3,327,862	\$3,348,335	\$3,400,352	\$3,435,459
Operating Grants, Contributions, and Interest	85,964	88,471			85,964	88,471
Capital Grants, Contributions, and Interest		197,666			85,964	88,471
<b>Total Program Receipts</b>	<b>158,454</b>	<b>373,261</b>	<b>3,327,862</b>	<b>3,348,335</b>	<b>3,486,316</b>	<b>3,523,930</b>
General Receipts						
Property Taxes						
General Purposes	71,516	67,512			71,516	67,512
Fire and Rescue		87,136				87,136
Municipal Income Taxes	387,034	411,215			387,034	411,215
Other Local Taxes	140,316	142,561			140,316	142,561
Grants and Entitlements	112,044	94,356			112,044	292,022
Franchise Fees	977	1,368			977	1,368
Interest	111,376	104,964		4,877	111,376	109,841
Notes Issued		55,000	200,000	250,000	200,000	305,000
Proceeds from OPWC			104,499	57,427	104,499	57,427
Other	36,350	39,281			36,350	39,281
<b>Total General Receipts</b>	<b>859,613</b>	<b>1,003,393</b>	<b>304,499</b>	<b>312,304</b>	<b>1,164,112</b>	<b>1,513,363</b>
<b>Total Receipts</b>	<b>1,018,067</b>	<b>1,376,654</b>	<b>3,632,361</b>	<b>3,660,639</b>	<b>4,650,428</b>	<b>5,037,293</b>

(continued)

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

Change in Net Assets  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Program Disbursements</u>						
Security of Persons and Property	\$332,884	\$344,824			\$332,884	\$344,824
Public Health	9,375	8,331			9,375	8,331
Leisure Time Activities	99,946	75,992			99,946	75,992
Community Environment	72,482	58,353			72,482	58,353
Basic Utility Services	166,422	287,013			166,422	287,013
Transportation	240,077	115,952			240,077	115,952
General Government	211,824	234,368			211,824	234,368
Debt Service:						
Principal Retirement	65,878	171,120			65,878	171,120
Interest and Fiscal Charges	6,586	13,621			6,586	13,621
Sewer			\$390,303	\$631,651	390,303	631,651
Electric			2,481,294	2,775,087	2,481,294	2,775,087
Water			142,736	161,370	142,736	161,370
Refuse			59,184	43,205	59,184	43,205
Total Disbursements	<u>1,205,474</u>	<u>1,309,574</u>	<u>3,073,517</u>	<u>3,611,313</u>	<u>4,278,991</u>	<u>4,920,887</u>
Increase/(Decrease) in Net Assets Before Advances	(187,407)	67,080	558,844	49,326	371,437	116,406
Advances	104,499	(104,499)	(104,499)	104,499		
Change in Net Assets	<u>(82,908)</u>	<u>(37,419)</u>	<u>454,345</u>	<u>153,825</u>	<u>371,437</u>	<u>116,406</u>
Net Assets at Beginning of Year	750,133	787,552	1,339,273	1,185,448	2,089,406	1,973,000
Net Assets at End of Year	<u>\$667,225</u>	<u>\$750,133</u>	<u>\$1,793,618</u>	<u>\$1,339,273</u>	<u>\$2,460,843</u>	<u>\$2,089,406</u>

For governmental activities, receipts decreased over 26 percent from the prior year. In general, almost all categories of receipts were somewhat less than the prior year with property taxes for fire and rescue (due to the expiration of a 4 mil levy) and unrestricted grants and entitlements being the most significant. Disbursements also decreased somewhat from the prior year. The security of persons and property program (primarily police department operations) continues to be the Village's largest program disbursement accounting for 27 percent of the Village's operating costs.

For business-type activities, receipts were just slightly less than the prior year due largely to a reduction in note proceeds. Overall disbursements were down 15 percent with the costs for sewer, electric, and water all less than the prior year.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Security of Persons and Property	\$332,884	\$344,824	\$297,395	\$298,047
Public Health	9,375	8,331	(784)	(11,868)
Leisure Time Activities	99,946	75,992	99,946	75,992
Community Environment	72,482	58,353	57,262	45,703
Basic Utility Services	166,422	287,013	166,422	89,347
Transportation	240,077	115,952	146,483	24,565
General Government	211,824	234,368	207,832	229,786
Debt Service:				
Principal Retirement	65,878	171,120	65,878	171,120
Interest and Fiscal Charges	6,586	13,621	6,586	13,621
Total Disbursements	\$1,205,474	\$1,309,574	\$1,047,020	\$936,313

As can be seen in the above table, the Village is very dependent on its general revenues (primarily income taxes and unrestricted intergovernmental receipts) to pay for the services provided. For 2007, 87 percent of these services were provided through general revenues. However, note that a couple of the programs are well funded through program revenues. The public health program had program revenues in excess of its costs for both 2007 and 2006. This is due to charges for services provided. The transportation program receives operating grants in the form of State levied motor vehicle license fees and gas taxes

**Governmental Funds Financial Analysis**

The Village's major governmental funds are the General Fund and Economic Development special revenue fund. The General Fund has a sizable decrease in fund balance (almost 43 percent) due to disbursements exceeding receipts for the year. In addition, most sources of receipts were lower than 2006, especially income taxes and unrestricted grants and entitlements. The Economic Development fund had no activity during 2007.

**Business-Type Activities Financial Analysis**

The Village's major enterprise funds are the Sewer and Electric funds. Although the Sewer fund had an operating loss again for 2007, the loss was not as much as in the prior year and there was still a slight increase in overall net assets. The Electric fund had an operating income as well as an increase in net assets. Receipts remained comparable to the prior year; however, as indicated previously, disbursements were less by over \$307,000.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

**Budgetary Highlights**

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

The Village's most significant budgeted fund is the General Fund. There was a \$160,000 increase from the original budget to the final budget for receipts primarily due to conservative estimates, particularly for income taxes. The change from the final budget to actual receipts was not significant. There was a \$160,000 change from the original budget to the final budget for disbursements for unanticipated revenues. The change from the final budget to actual disbursements was not significant.

**Debt Activity**

The village had \$3,782,448 in outstanding long term obligations at year end, \$191,878 was payable from governmental type activities and \$3,590,570 from business type activities. See Note 13 to the financial statement for additional information.

**Current Issues**

In 2008, the Village has paid off the remainder of the bond anticipation notes.

**Request for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Robert Dearing, Fiscal Officer, 205 South State Street, Pioneer, Ohio 43554-9657.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Net Assets  
Cash Basis  
December 31, 2007**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$667,225	\$1,789,385	\$2,456,610
Cash and Cash Equivalents with Fiscal Agent		4,233	4,233
	<u>\$667,225</u>	<u>\$1,793,618</u>	<u>\$2,460,843</u>
<b>Total Assets</b>	<b>\$667,225</b>	<b>\$1,793,618</b>	<b>\$2,460,843</b>
<u>Net Assets</u>			
Restricted for			
Debt Service	44,077		44,077
Economic Development	195,068		195,068
Other Purposes	246,560		246,560
Cemetery Trust:			
Non-Expendable	55,676		55,676
Unrestricted	<u>125,844</u>	<u>1,793,618</u>	<u>1,919,462</u>
	<u>\$667,225</u>	<u>\$1,793,618</u>	<u>\$2,460,843</u>
<b>Total Net Assets</b>	<b>\$667,225</b>	<b>\$1,793,618</b>	<b>\$2,460,843</b>

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Activities  
Cash Basis  
For the Year Ended December 31, 2007**

	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities</u>			
Security of Persons and Property	\$332,884	\$28,957	\$6,532
Public Health	9,375	9,879	280
Leisure Time Activities	99,946		
Community Environment	72,482	15,220	
Basic Utility Services	166,422		
Transportation	240,077	14,442	79,152
General Government	211,824	3,992	
Debt Service:			
Principal Retirement	65,878		
Interest and Fiscal Charges	6,586		
<b>Total Governmental Activities</b>	<b>1,205,474</b>	<b>72,490</b>	<b>85,964</b>
<u>Business-Type Activities</u>			
Sewer	390,303	242,737	
Electric	2,481,294	2,870,569	
Other Enterprise			
Water	142,736	161,793	
Refuse	59,184	52,763	
<b>Total Business-Type Activities</b>	<b>3,073,517</b>	<b>3,327,862</b>	
<b>Total</b>	<b>\$4,278,991</b>	<b>\$3,400,352</b>	<b>\$85,964</b>

General Revenues

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

Advances

Total General Revenues and Advances

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$297,395)		(\$297,395)
784		784
(99,946)		(99,946)
(57,262)		(57,262)
(166,422)		(166,422)
(146,483)		(146,483)
(207,832)		(207,832)
(65,878)		(65,878)
(6,586)		(6,586)
<u>(1,047,020)</u>		<u>(1,047,020)</u>
	(\$147,566)	(147,566)
	389,275	389,275
	19,057	19,057
	(6,421)	(6,421)
	<u>254,345</u>	<u>254,345</u>
<u>(1,047,020)</u>	<u>254,345</u>	<u>(792,675)</u>
71,516		71,516
387,034		387,034
140,316		140,316
112,044		112,044
977		977
111,376		111,376
36,350		36,350
	200,000	200,000
	104,499	104,499
<u>859,613</u>	<u>304,499</u>	<u>1,164,112</u>
104,499	(104,499)	
<u>964,112</u>	<u>200,000</u>	<u>1,164,112</u>
(82,908)	454,345	371,437
<u>750,133</u>	<u>1,339,273</u>	<u>2,089,406</u>
<u>\$667,225</u>	<u>\$1,793,618</u>	<u>\$2,460,843</u>

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Cash Basis Assets, Liabilities, and Fund Balances  
Governmental Funds  
December 31, 2007**

	<u>General</u>	<u>Economic Development</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	<u>\$125,844</u>	<u>\$195,068</u>	<u>\$346,313</u>	<u>\$667,225</u>
<u>Fund Balances</u>				
Unreserved, Reported in				
General Fund	125,844			125,844
Special Revenue Funds		195,068	246,560	441,628
Debt Service Fund			44,077	44,077
Permanent Fund			<u>55,676</u>	<u>55,676</u>
Total Fund Balances	<u>\$125,844</u>	<u>\$195,068</u>	<u>\$346,313</u>	<u>\$667,225</u>

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007**

	General	Economic Development	Other Governmental	Total Governmental Funds
<u>Cash Receipts</u>				
Property Taxes	\$71,516			\$71,516
Income Taxes	387,034			387,034
Other Local Taxes	140,316		\$3,905	144,221
Intergovernmental	110,955		76,933	187,888
Special Assessments			10,537	10,537
Charges for Services	43,620		9,489	53,109
Fees, Licenses, and Permits	1,427			1,427
Fines and Forfeitures	3,542		947	4,489
Interest	111,376		10,120	121,496
Miscellaneous	36,350			36,350
<b>Total Cash Receipts</b>	<b>906,136</b>		<b>111,931</b>	<b>1,018,067</b>
<u>Cash Disbursements</u>				
Current:				
Security of Persons and Property	332,884			332,884
Public Health	8,334		1,041	9,375
Leisure Time Activities	99,946			99,946
Community Environment	72,482			72,482
Basic Utility Services	166,422			166,422
Transportation	212,819		27,258	240,077
General Government	211,824			211,824
Debt Service:				
Principal Retirement			65,878	65,878
Interest and Fiscal Charges			6,586	6,586
<b>Total Cash Disbursements</b>	<b>1,104,711</b>		<b>100,763</b>	<b>1,205,474</b>
Excess of Cash Receipts Over (Under) Cash Disbursements	(198,575)		11,168	(187,407)
Advances In	104,499			104,499
Changes in Fund Balances	(94,076)		11,168	(82,908)
Fund Balances at Beginning of Year	219,920	\$195,068	335,145	750,133
Fund Balances at End of Year	<u>\$125,844</u>	<u>\$195,068</u>	<u>\$346,313</u>	<u>\$667,225</u>

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Property Taxes	\$54,924	\$67,132	\$71,516	\$4,384
Income Taxes	304,424	365,309	387,034	21,725
Other Local Taxes	110,366	132,440	140,316	7,876
Intergovernmental	93,679	111,191	110,955	(236)
Charges for Services	34,003	40,803	43,620	2,817
Fees, Licenses, and Permits	354	425	1,427	1,002
Fines and Forfeitures	2,786	3,343	3,542	199
Interest	111,376	111,376	111,376	
Miscellaneous	88,088	127,981	36,350	(91,631)
<b>Total Cash Receipts</b>	<b>800,000</b>	<b>960,000</b>	<b>906,136</b>	<b>(53,864)</b>
<u>Cash Disbursements</u>				
Current:				
Security of Persons and Property	308,524	356,745	332,884	23,861
Public Health	7,724	8,931	8,334	597
Leisure Time Activities	92,632	107,110	99,946	7,164
Community Environment	67,178	77,678	72,482	5,196
Basic Utility Services	154,244	178,352	166,422	11,930
Transportation	197,245	228,073	212,819	15,254
General Government	196,153	226,811	211,824	14,987
<b>Total Cash Disbursements</b>	<b>1,023,700</b>	<b>1,183,700</b>	<b>1,104,711</b>	<b>78,989</b>
Excess of Cash Receipts Under Cash Disbursements	(223,700)	(223,700)	(198,575)	25,125
Advances In			104,499	104,499
Changes in Fund Balance	(223,700)	(223,700)	(94,076)	129,624
Fund Balance at Beginning of Year	219,920	219,920	219,920	
Fund Balance at End of Year	<u>(\$3,780)</u>	<u>(\$3,780)</u>	<u>\$125,844</u>	<u>\$129,624</u>

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
Economic Development Fund  
For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Cash Disbursements</u>				
Community Environment	<u>\$20,000</u>	<u>\$20,000</u>		<u>\$20,000</u>
Changes in Fund Balance	(20,000)	(20,000)		20,000
Fund Balance at Beginning of Year	<u>195,068</u>	<u>195,068</u>	<u>\$195,068</u>	
Fund Balance at End of Year	<u><u>\$175,068</u></u>	<u><u>\$175,068</u></u>	<u><u>\$195,068</u></u>	<u><u>\$20,000</u></u>

See Accompanying Notes to Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Fund Net Assets  
Cash Basis  
Enterprise Funds  
December 31, 2007**

	<u>Sewer</u>	<u>Electric</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
<u>Assets</u>				
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$429,733	\$1,263,159	\$96,493	\$1,789,385
Cash and Cash Equivalents with Fiscal Agent		4,233		4,233
Total Assets	<u>\$429,733</u>	<u>\$1,267,392</u>	<u>\$96,493</u>	<u>\$1,793,618</u>
<u>Net Assets</u>				
Unrestricted	<u>\$429,733</u>	<u>\$1,267,392</u>	<u>\$96,493</u>	<u>\$1,793,618</u>

See Accompanying Notes to the Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Cash Basis  
Enterprise Funds  
For the Year Ended December 31, 2007**

	Sewer	Electric	Other Enterprise	Total Enterprise Funds
<u>Operating Revenues</u>				
Charges for Services	\$242,737	\$2,870,569	\$214,556	\$3,327,862
<u>Operating Expenses</u>				
Personal Services	75,435	162,145	74,053	311,633
Transportation	215	1,596	750	2,561
Contractual Services	17,291	1,947,525	78,571	2,043,387
Materials and Supplies	11,982	44,134	18,430	74,546
Capital Outlay	16,300	195,249	18,526	230,075
Miscellaneous		7,309		7,309
Total Operating Expenses	121,223	2,357,958	190,330	2,669,511
Operating Income	121,514	512,611	24,226	658,351
<u>Non-Operating Revenues (Expenses)</u>				
Proceeds of Notes	200,000			200,000
Proceeds of OPWC	104,499			104,499
Advances Out	(104,499)			(104,499)
Debt Service:				
Principal Retirement	(258,484)	(8,344)	(8,784)	(275,612)
Interest Expense	(10,596)	(114,992)	(2,806)	(128,394)
Total Non-Operating Revenues (Expenses)	(69,080)	(123,336)	(11,590)	(204,006)
Changes in Net Assets	52,434	389,275	12,636	454,345
Net Assets at Beginning of Year	377,299	878,117	83,857	1,339,273
Net Assets at End of Year	\$429,733	\$1,267,392	\$96,493	\$1,793,618

See Accompanying Notes to the Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**Statement of Cash Flows  
Cash Basis  
Enterprise Funds  
For the Year Ended December 31, 2007**

	Sewer	Electric	Other Enterprise	Total
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$242,737	\$2,870,569	\$214,556	\$3,327,862
Cash Payments for Personal Services	(75,435)	(162,145)	(74,053)	(311,633)
Cash Payments for Transportation	(215)	(1,596)	(750)	(2,561)
Cash Payments for Contractual Services	(17,291)	(1,947,525)	(78,571)	(2,043,387)
Cash Payments for Materials and Supplies	(11,982)	(44,134)	(18,430)	(74,546)
Cash Payments for Capital Outlay	(16,300)	(195,249)	(18,526)	(230,075)
Cash Payments for Miscellaneous		(7,309)		(7,309)
Net Cash Provided by Operating Activities	<u>121,514</u>	<u>512,611</u>	<u>24,226</u>	<u>658,351</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Advances out to Other Funds	<u>(104,499)</u>			<u>(104,499)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Proceeds from Bond Anticipation Notes	200,000			200,000
Proceeds from OPWC Loan	104,499			104,499
Principal Paid on Bond Anticipation Notes	(250,000)			(250,000)
Interest Paid on Bond Anticipation Notes	(10,596)			(10,596)
Principal Paid on OPWC Loans	(8,484)		(8,784)	(17,268)
Interest Paid on OPWC Loans			(2,806)	(2,806)
Principal Paid on AMP-Ohio Payable - JV6		(8,344)		(8,344)
Interest Paid on AMP-Ohio Loan		(114,992)		(114,992)
Net Cash Provided By (Used for) Capital and Related Financing Activities	<u>35,419</u>	<u>(123,336)</u>	<u>(11,590)</u>	<u>(99,507)</u>
Net Increase in Cash and Cash Equivalents	52,434	389,275	12,636	454,345
Cash and Cash Equivalents at Beginning of Year	<u>377,299</u>	<u>878,117</u>	<u>83,857</u>	<u>1,339,273</u>
Cash and Cash Equivalents at End of Year	<u><u>\$429,733</u></u>	<u><u>\$1,267,392</u></u>	<u><u>\$96,493</u></u>	<u><u>\$1,793,618</u></u>

See Accompanying Notes to the Basic Financial Statements

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 1 - REPORTING ENTITY**

The Village of Pioneer (the Village) is a body politic and corporate established in 1849 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is governed by a six-member Village Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

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

**A. Primary Government**

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

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves the budget, the issuance of debt, or the levying of taxes. The Village has no component units.

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

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

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

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

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

C. Basis of Accounting

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

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

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

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

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

During 2007, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. All investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were \$111,376 which includes \$96,067 assigned from other Village funds.

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

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

F. Interfund Receivable/Payables

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

G. Accumulated Leave

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

H. Long-Term Obligations

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

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for maintenance and repair of streets and state highways, various police department related activities, fire protection, and cemetery maintenance. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The Village did not have any net assets restricted by enabling legislation at December 31, 2007.

J. Fund Balance Reserves

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

K. Operating Receipts and Disbursements

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

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 3 - COMPLIANCE**

At December 31, 2007, the Fire Levy special revenue fund expended monies prior to approving appropriations in the amount of \$57,331.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis of accounting as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget to Actual – Budgetary Basis presented for the General fund and the Economic Development fund are prepared on a budgetary basis to provide a meaningful comparison of actual results within the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

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

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

Deposits

The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2007, the carrying value of funds on deposit with Star Ohio was \$266,275. The Village's investment in Star Ohio has an average maturity of 41 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The Village has no policy for credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax revenues received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

The full tax rate for all Village operations for the year ended December 31, 2007, was \$3.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$17,070,880
Commercial/Industrial/Mineral	6,206,740
Public Utility Property	
Personal	72,020
Tangible Personal Property	3,331,780
Total Assessed Value	<u><u>\$26,681,420</u></u>

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 7 - INCOME TAXES**

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

**NOTE 8 - RISK MANAGEMENT**

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

General Liability	
Per Occurrence	\$3,000,000
Aggregate	5,000,000
Employee Benefits Liability	
Each Incident	1,000,000
Aggregate	3,000,000
Employer's Liability	3,000,000
	5,000,000
Public Officials Liability	
Each Wrongful Act	3,000,000
Aggregate	5,000,000
Law Enforcement Liability	
Each Wrongful Act	3,000,000
Aggregate	5,000,000
Boiler and Machinery	5,576,290
Property	5,576,290

There has been no significant reduction in insurance coverage from 2006, and settled claims have not exceeded this coverage in the past three years.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll.

The Village's contribution rate for 2007 was 13.85 percent of covered payroll. For the period January 1 through June 30, 2007, a portion of the Village's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment health care plan; for the period July 1 through December 31, 2007, this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Village of 14 percent.

The Village's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 was \$31,155, \$38,271, and \$41,942, respectively; 87 percent has been contributed for 2007 and 100 percent has been contributed for 2006 and 2005.

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2007, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan. The Village's required contribution for pension obligations for police for the year ended December 31, 2007, was \$12,670, for the year ended December 31, 2006, was \$12,331, and for the year ended December 31, 2005, was \$10,819. For 2007, 92 percent has been contributed for police. The full amount has been contributed for 2006 and 2005.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 5 percent of covered payroll from January 1, through June 30, 2007, and 6 percent from July 1, to December 31, 2007.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

**VILLAGE OF PIONEER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The Village's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2007, 2006, and 2005 was \$20,521, \$18,719, and \$17,568, respectively; 85 percent has been contributed for 2007 and 100 percent has been contributed for 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium reimbursement, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit, or is a spouse or eligible dependent child of such person.

The Ohio Revised Code permits, but does not require, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - OPF's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OPF. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent of covered payroll for police.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of section 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

**VILLAGE OF PIONEER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police for the year ended December 31, 2007, was \$6,708, for the year ended December 31, 2006, was \$8,133, and for the year ended December 31, 2005, was \$7,136. For 2007, 92 percent has been contributed and the full amount has been contributed for 2006 and 2005.

**NOTE 11 - COMPENSATED ABSENCES**

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

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

**NOTE 12 - NOTE OBLIGATIONS**

The changes in the Village's note obligations during 2007 were as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007
<b><u>Governmental Activities</u></b>					
Various Purpose Improvement Notes, Series 2006	4.25%	\$55,000		\$55,000	
<b><u>Business-Type Activities</u></b>					
Various Purpose Improvement Notes, Series 2006	4.25%	250,000		250,000	
Various Purpose Improvement Notes, Series 2007	4.10		\$200,000		\$200,000
<b>Total Business-Type Activities</b>		<b>\$250,000</b>	<b>\$200,000</b>	<b>\$250,000</b>	<b>\$200,000</b>

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

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

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

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

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

The various purpose notes, in the amount of \$200,000, were issued on May 24, 2007, to partially retire notes previously issued to pay the costs of sanitary sewer improvements. The notes were paid from the Sewer enterprise fund. The notes have an interest rate of 4.10 percent and were paid off in May 2008.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
OPWC Loans						
1995 Baubice Street (Original Amount \$408,500)	4%	\$202,756		\$10,878	\$191,878	\$22,413
<u>Business-Type Activities</u>						
OPWC Loans						
1993 Water Treatment Plant Improvements (Original Amount \$317,044)	4%	140,309		8,784	131,525	18,097
2000 Lynn Street Storm Sewer (Original Amount \$122,787)	0%	79,812		3,070	76,742	6,140
2000 Elm and Church Street Drainage Improvements (Original Amount \$108,283)	0%	43,312		5,414	37,898	10,828
2004 Storm Sewer Improvements (Original Amount \$161,926)	0%	57,427	\$104,499		161,926	8,096
Total OPWC Loans		320,860	104,499	17,268	408,091	43,161
Other Long-Term Obligations						
AMP-Ohio Payable - JV6		115,823		8,344	107,479	12,885
AMP-Ohio Loan		3,075,000			3,075,000	
Total Other Long Term Obligations		\$3,190,823		8,344	3,182,479	12,885
Total Business-Type Activities		\$3,511,683	\$104,499	\$25,612	\$3,590,570	\$56,046

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

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2006, the Village's overall debt margin was \$2,801,549.

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

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

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

Year	OPWC Loans	
	Principal	Interest
2008	\$22,413	\$7,452
2009	23,319	6,547
2010	24,260	5,606
2011	25,240	4,626
2012	26,260	3,606
2013-2015	70,386	4,279
	\$191,878	\$32,116

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

Year	OPWC Loans		AMP-Ohio Payable-JV6	
	Principal	Interest	Principal	Interest
2008	\$43,161	\$5,082	\$12,885	\$1,199
2009	43,892	4,351	12,254	1,831
2010	44,653	3,590	10,899	3,186
2011	40,030	2,798	11,339	2,745
2012	35,439	1,976	11,797	2,287
2013-2017	104,601	1,345	48,305	4,187
2018-2022	55,830			
2023-2027	40,485			
	\$408,091	\$19,142	\$107,479	\$15,435

**NOTE 14 - INSURANCE POOL**

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

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

**NOTE 15 - JOINT VENTURES**

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

The Village is a participant, with thirty-five other subdivisions within the State of Ohio, in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis, the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2). The Village is an owner participant with percentage of ownership of .86 percent. Owner participants own undivided interests, as tenants in common, in JV2 in the amount of their respective project shares. Purchaser participants agree to purchase the output associated with their respective project shares, ownership of which is held in trust for such purchaser participants.

In accordance with the JV2 Agreement (Agreement), the participants jointly undertook (as either financing participants or non-financing participants and as either owner participants or purchaser participants) the acquisition, construction, and equipping of JV2, including such portions of JV2 as have been acquired, constructed, or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

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

JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The project consists of 138.65 MW of distributed generation (of which 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net assets will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. The Village's net investment in JV2 was \$338,412 at December 31, 2007. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

The Village's net investment in JV4 was \$704,743 at December 31, 2007. Complete financial statements for JV4 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV5 debt service and any other outstanding senior lien electric system revenue obligations. Upon dissolution of JV5, the net assets will be shared by the participants on a percentage of ownership basis.

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

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

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

The Village's net investment in JV5 was \$68,016 at December 31, 2007. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV6 debt service and any other outstanding senior lien electric system revenue obligations.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, JV6 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting participant's ownership share of the project in kilowatts ("Step Up Power"), provided that the sum of any such increases shall not exceed, without consent of the non-defaulting participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

JV6 was created to provide for low-polluting capacity electricity through wind energy. The project consists of four wind turbines with a nominal capacity of 3.6 MW and related facilities. Upon dissolution of JV6, the net assets will be shared by the participants on a percentage of ownership basis. JV6 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2004, AMP-Ohio issued \$9,861,000 of fifteen year adjustable rate bonds on behalf of the financing participants of JV6. The proceeds of the bond issue were contributed to JV6. The Village's net obligation for these bonds at December 31, 2007, was \$107,479. The Village's net investment in JV6 was \$122,574 at December 31, 2007. Complete financial statements for JV6 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF PIONEER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - CONTINGENT LIABILITIES**

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

For the period January 1, 2007, to December 31, 2007, the Village received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Village believes such disallowances, if any, would be immaterial.

**NOTE 17 - LONG TERM PURCHASE COMMITMENTS**

**A. Prairie State Project**

The Prairie State Energy Campus (PSEC) will consist of a supercritical, coal-fired, mine mouth generating facility intended to have a maximum net rated electric generating capacity of approximately 1,582 MW, related equipment and facilities and associated coal reserves. The PSEC Owners (as defined below), including AMP-Ohio, own the PSEC. The generating facilities are being constructed pursuant to a TPEPC Contract (as defined herein) with Bechtel Power Corporation. The generating units and the mining facilities are scheduled to be in commercial operation in December 2012.

AMP-Ohio's 23.26% ownership interest in the PSEC entitles AMP-Ohio to approximately 368 MW of the capacity and output from the PSEC and a proportionate share of the adjacent coal reserves and mining facilities. The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated approximately 1,000 kilowatts of this project.

In addition to AMP-Ohio's ownership interest in the PSEC, other undivided interests therein are owned by the Kentucky Municipal Power Agency (KMPA); the Northern Illinois Municipal Power Agency (NIMPA); the Illinois Municipal Electric Agency (IMEA); the Indiana Municipal Power Agency (IMPA); Lively Grove Energy Partners, LLC, currently a wholly-owned indirect subsidiary of Peabody Energy; the Missouri Joint Municipal Electric Utility Commission (MJMEUC); and Prairie Power, Inc. (PPI) and the Southern Illinois Power Cooperative (SIPC), both not for profit electric generation and transmission cooperatives (collectively, and together with AMP 238 LLC, the PSEC Owners).

Owner	Ownership Interest
AMP-Ohio	23.26%
IMEA	15.17
IMPA	12.64
MJMEUC	12.33
PPI	8.22
SIPC	7.90
KMPA	7.82
NIMPA	7.60
Lively Grove Energy	5.06
Total	100.00%

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

**NOTE 17 - LONG TERM PURCHASE COMMITMENTS – (CONTINUED)**

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

AMP-Ohio is currently developing a twin unit, supercritical boiler, coal-fired, steam and electric generating facility having an aggregate net rated electric generating capacity of approximately 960 MW, to be known as the American Municipal Power Generating Station (AMPGS) in Meigs County, in southeastern Ohio on the Ohio River. AMP-Ohio has options on the site and has engaged an independent engineering firm for owner engineer services in connection with its efforts to obtain and evaluate proposals from three potential engineer, procure, construct (EPC) contractors for AMPGS. To the extent that AMP-Ohio's members do not subscribe for the full capacity in AMPGS, AMP-Ohio expects to sell undivided ownership interest to unrelated parties. AMP-Ohio has received an air permit from the Ohio Environmental Protection Agency for the AMPGS project. That permit is being appealed to the Ohio Environmental Review Appeals Commission. In addition, the Ohio Power Siting Board has issued a Certificate of Environmental Compatibility and Public Need for the AMPGS project. As of February 2008, AMP-Ohio estimated the total cost of AMPGS, including capitalization of all interest expense prior to the commercial operation date in 2013, would be approximately \$3.391 billion dollars. AMP-Ohio's share of the expenses for a smaller ownership interest would be reduced proportionately.

The Village has passes appropriate legislation and executed a power sales contract to participate in this project and has been allocated 500 kilowatts of this project.

**C. Hydroelectric Projects**

AMP-Ohio is also currently developing three hydroelectric projects (Hydroelectric Projects) – the Cannelton hydroelectric generating facility, the Smithland hydroelectric generating facility and the Willow Island hydroelectric generating facility – all on the Ohio River, with an aggregate generating capacity of approximately 191 MW. Each of these projects entail 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 AMP-Ohio Hydroelectric Projects, including associated transmission facilities, will be constructed, owned and operated by AMP-Ohio. AMP-Ohio has obtained from the Federal Energy Regulatory Commission licenses to operate all three hydroelectric generation facilities. In a feasibility report prepared for AMP-Ohio in 2007, the consulting engineer projected that the aggregate principal of bonds that AMP-Ohio would be required to issue to finance the three projects, including capitalized interest to their estimated in service dates in 2012, will be approximately \$940 million. AMP-Ohio currently expects to provide interim financing for the Hydroelectric Projects through its Line of Credit, including the issuance of CP, and to issue a portion of its permanent financing therefore in the summer of 2008 when it expects to commence construction of the cofferdams for the projects.

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.

VILLAGE OF PIONEER  
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)

**NOTE 18 –ADVANCES**

Advances for the year ended December 31, 2007, consisted of the following:

Fund	Advances In	Advances Out
General Fund	\$104,499	
Sewer Fund		\$104,499

Monies were repaid to the General fund for an advance made in 2006 to help pay for expenditures related to the Sanitary Sewer Improvement project until OPWC loan proceeds were received.

**NOTE 19 – SUBSEQUENT EVENTS**

The Village has been approved for up to \$667,200 in federal funds for a Streetscape Improvement Project.



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pioneer, Williams County, (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 12, 2008, wherein, we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

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

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

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

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

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

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

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



**Mary Taylor, CPA**  
Auditor of State

September 12, 2008

VILLAGE OF PIONEER  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007

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

FINDING NUMBER 2007-001

**Finding for Recovery Repaid Under Audit**

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

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

The Mayor's term ran from January 1, 2004, through December 31, 2008. At the beginning of this term, Ordinance 15-2003 was in effect. This set the Mayor's salary at \$4,600 per year. In 2006, Council enacted Ordinance 11-2006 which provided that the Mayor's salary should be increased to \$6,200 for 2007.

As stated above, the Mayor was not entitled to an increase in compensation during his term of office. As a result, the Mayor received an overpayment of \$1,600. The Village, however, is withholding \$200 from his 2007 pay resulting in a total overpayment of \$1,400.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public moneys illegally expended in the amount of \$1,400 is hereby issued against Mayor Edward Kidston, and his surety company, Ohio Government Risk Management Plan, jointly and severally, and in favor of the Village's General fund.

The finding amount of \$1,400 was repaid and credited to the Village's General fund on August 6, 2008.

FINDING NUMBER 2007-002

**Noncompliance Citation and Material Weakness**

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

Auditor of State Bulletin 2000-008 further states all local governments participating in Issue 2 Funds (Ohio Public Works Commission) must, for each project awarded, establish a capital project fund to account for both the Issue 2 monies and the local matching funds.

**FINDING NUMBER 2007-002  
(Continued)**

Ohio Public Works Commission grant and loan funds, in an amount totaling \$104,499 were received by the Village during 2007. The Village failed to establish a separate capital project fund for these monies and instead accounted for it in the General Fund.

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

We recommend the Village follow the guidelines of Auditor of State Bulletins 2004-004, which describe the proper accounting treatment for Issue 2 funding.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

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

In 2007, the Village did not pass any appropriation for the Fire Levy fund until December 2007; however, expenditures in the amount of \$57,331 were made in May 2007. As a result, expenditures were not properly appropriated.

The Village should approve appropriations for each office, department, and division, and, within each, the amount appropriated for personal services each year authorizing the expenditure of money at the legal level of control. Appropriations, once approved by Council, serve as the Village's spending plan. Without such a plan, management has no means of tracking anticipated expenditures in relation to actual amounts available. Appropriations should be adopted by the first day of the fiscal year and should not exceed the amount of the official estimate (estimated receipts and unencumbered fund balances) certified by the County Auditor.

**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, 2007**

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>
2006-001	Finding for Recovery – Interim increases in Mayor’s compensation (\$400)	No	Reissued as Finding 2007-001 in this report.
2006-002	ORC 5705.09(F) – Ohio Public Works Commission (OPWC) monies were not posted to a separate fund	No	Reissued as Finding 2007-002 in this report.
2006-003	ORC 5705.41(B) – Actual expenditures exceeded appropriations	Yes	Reissued as Finding 2007-003 in this report.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF PIONEER**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 14, 2008**