



Dave Yost • Auditor of State

VILLAGE OF PIONEER
WILLIAMS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the 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, 2010, 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, 2010, and the respective changes in cash financial position and where applicable cashflows, thereof and the respective budgetary comparison for the General and Economic Development funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2010 the Village of Pioneer adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

August 13, 2012

**VILLAGE OF PIONEER
WILLIAMS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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, 2010. 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.

Highlights

Highlights for 2010 are as follows:

In total, the Village's net assets increased 13 percent from the prior year; governmental activities increased 53 percent and business-type activities increased 3 percent.

General receipts accounted for 70 percent of total receipts for governmental activities; however, for 2010, general receipts included the proceeds from a loan. Without consideration of this one-time receipt, the Village's governmental activities continue to be largely funded by municipal income taxes.

The Electric fund reflected a net loss of \$72,824 or 4 percent in 2010; however, the fund continues to reflect positive net assets at year end.

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, Capital Projects, and Electric funds.

**VILLAGE OF PIONEER
WILLIAMS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2010, 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.

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 security of persons and property, public health, leisure time activities, community environment, basic utility services, transportation, general government, capital outlay, and debt service disbursements. 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 electric, water, sewer, 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, Capital Projects, 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.

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Government-Wide Financial Analysis

Table 1 provides a summary of the Village's net assets for 2010 and 2009.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Assets</u>						
Current and Other Assets	\$808,964	\$529,957	\$2,154,509	\$2,089,606	\$2,963,473	\$2,619,563
<u>Net Assets</u>						
Restricted	\$623,873	\$461,522			\$623,873	\$461,522
Unrestricted	185,091	68,435	\$2,154,509	\$2,089,606	2,339,600	2,158,041
Total Net Assets	\$808,964	\$529,957	\$2,154,509	\$2,089,606	\$2,963,473	\$2,619,563

Net assets for governmental activities increased 53 percent from the prior year due to modest increases in property and income tax revenues and a reduction in disbursements resulting from conservative spending.

Net assets for business-type activities increased 3 percent largely due to an increase in charges for services.

Table 2 reflects the change in net assets for 2010 and 2009.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Receipts</u>						
Program Receipts						
Charges for Services	\$87,873	\$85,514	\$4,381,010	\$3,443,062	\$4,468,883	\$3,528,576
Operating Grants, Contributions, and Interest	80,893	80,484			80,893	80,484
Capital Grants and Contributions	559,514	273,129			559,514	273,129
Total Program Receipts	728,280	439,127	4,381,010	3,443,062	5,109,290	3,882,189

(continued)

**VILLAGE OF PIONEER
WILLIAMS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Receipts (continued)</u>						
General Receipts						
Property Taxes Levied for						
General Purposes	79,496	65,980			79,496	65,980
Municipal Income Taxes	363,594	350,225			363,594	350,225
Other Local Taxes	140,081	117,813			140,081	117,813
Grants and Entitlements	92,183	114,280			92,183	114,280
Franchise Fees		435				435
Interest	22,036	25,136	27	407	22,063	25,543
Miscellaneous	65,440	64,588			65,440	64,588
OWDA Loan Proceeds	904,515	4,418,862			904,515	4,418,862
Administration Building Loan Proceeds		12,720		72,080		84,800
AMP-Ohio Loan Proceeds				4,623		4,623
Total General Receipts	1,667,345	5,170,039	27	77,110	1,667,372	5,247,149
Total Receipts	2,395,625	5,609,166	4,381,037	3,520,172	6,776,662	9,129,338
<u>Disbursements</u>						
Security of Persons and Property	342,318	376,064			342,318	376,064
Public Health	39,938	15,575			39,938	15,575
Leisure Time Activities	44,288	36,062			44,288	36,062
Community Environment	26,177	41,846			26,177	41,846
Basic Utility Services	7,578	11,731			7,578	11,731
Transportation	117,750	195,383			117,750	195,383
General Government	175,172	211,649			175,172	211,649
Capital Outlay	1,347,247	4,704,711			1,347,247	4,704,711
Debt Service:						
Principal Retirement	64,870	23,784			64,870	23,784
Interest and Fiscal Charges	94,073	6,081			94,073	6,081
Electric			3,758,169	2,890,287	3,758,169	2,890,287
Water			179,032	186,553	179,032	186,553
Sewer			159,870	381,247	159,870	381,247
Refuse			76,270	55,276	76,270	55,276
Total Disbursements	2,259,411	5,622,886	4,173,341	3,513,363	6,432,752	9,136,249
Increase (Decrease) in Net Assets before Transfers	136,214	(13,720)	207,696	6,809	343,910	(6,911)
Transfers	142,793		(142,793)			
Change in Net Assets	279,007	(13,720)	64,903	6,809	343,910	(6,911)
Net Assets at Beginning of Year	529,957	543,677	2,089,606	2,082,797	2,619,563	2,626,474
Net Assets at End of Year	\$808,964	\$529,957	\$2,154,509	\$2,089,606	\$2,963,473	\$2,619,563

**VILLAGE OF PIONEER
WILLIAMS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

For governmental activities, program receipts increased due to grant resources obtained to replace a water tower. For general receipts, there were modest increases in property taxes and income taxes; however, overall general receipts decreased substantially due to OWDA loan proceeds (a one-time receipt) received in the prior year for water line and storm sewer reconstruction. Disbursements also decreased significantly due to the disbursements related to the water line and storm sewer reconstruction project; however, other program costs also decreased due to conservative spending by the Village in 2010.

For business-type activities, receipts increased 24 percent reflecting the impact of rate increases imposed in 2009 and 2010 for water, sewer, and refuse services. There was also a 19 percent increase in disbursements in 2010 and primarily related to a 69kv line project and substation upgrade in the Electric Fund.

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	
	2010	2009	2010	2009
Security of Persons and Property	\$342,318	\$376,064	\$297,607	\$343,438
Public Health	39,938	15,575	28,908	(513)
Leisure Time Activities	44,288	36,062	44,288	36,062
Community Environment	26,177	41,846	17,352	31,748
Basic Utility Services	7,578	11,731	(551,936)	(261,398)
Transportation	117,750	195,383	22,010	102,492
General Government	175,172	211,649	166,712	197,354
Capital Outlay	1,347,247	4,704,711	1,347,247	4,704,711
Debt Service:				
Principal Retirement	64,870	23,784	64,870	23,784
Interest and Fiscal Charges	94,073	6,081	94,073	6,081
Total Disbursements	\$2,259,411	\$5,622,886	\$1,531,131	\$5,183,759

As can be seen in the above table, the Village is very dependent on its general receipts (primarily income taxes and unrestricted intergovernmental receipts) to pay for the services provided. However, note that a couple of the programs are well funded through program receipts. For 2010, basic utility services had program receipts in excess of disbursements due to the receipt of grant resources. The transportation program receives operating grants in the form of State levied motor vehicle license fees and gas taxes.

Governmental Funds Financial Analysis

The Village's major governmental funds are the General Fund, the Economic Development special revenue fund, and the Capital Projects capital projects fund. The fund balance in the General Fund

**VILLAGE OF PIONEER
WILLIAMS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

increased \$116,656. Overall receipts increased 3 percent (largely due to an increase in tax related revenues); however, disbursements decreased 17 percent (the result of conservative spending).

Fund balance increased 24 percent in the Economic Development Fund; there were no disbursements made during the year.

Fund balance increased in the Capital Projects Fund primarily due to unspent loan proceeds on hand at year end.

Business-Type Activities Financial Analysis

The Village's major enterprise fund is the Electric fund. For 2010, operating revenues and expenses were essentially the same; however, there was a decrease in net assets due to interest payments on debt.

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 no change from the original budget to the final budget for receipts or disbursements. For receipts, the change from the final budget to actual receipts was not significant. The final budget disbursements exceeded actual disbursements by almost 14 percent, or approximately \$106,000, and was due to restricted spending. The biggest differences were in security of persons and property and general government.

Debt Activity

The Village had \$8,146,026 in outstanding long-term obligations at year end; \$5,405,364 was payable from governmental activities and \$2,740,662 from business-type activities. See Note 11 to the financial statements for additional information.

Current Issues

Beginning March 1, 2011, the Village switched to Medical Mutual of Ohio as the health care provider in an effort to maintain health care related costs.

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 April McMillen, Fiscal Officer, 409 South State Street, Pioneer, Ohio 43554.

**Village of Pioneer
Williams County
Statement of Net Assets
Cash Basis
December 31, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$808,964	\$2,147,659	\$2,956,623
Cash and Cash Equivalents with Fiscal Agent		6,850	6,850
	<u>\$808,964</u>	<u>\$2,154,509</u>	<u>\$2,963,473</u>
Total Assets	<u>\$808,964</u>	<u>\$2,154,509</u>	<u>\$2,963,473</u>
<u>Net Assets</u>			
Restricted for			
Capital Projects	\$116,782		\$116,782
Debt Service	76,643		76,643
Economic Development	166,132		166,132
Other Purposes	207,901		207,901
Cemetery Trust	56,415		56,415
Unrestricted	185,091	\$2,154,509	2,339,600
	<u>185,091</u>	<u>\$2,154,509</u>	<u>2,339,600</u>
Total Net Assets	<u>\$808,964</u>	<u>\$2,154,509</u>	<u>\$2,963,473</u>

See Accompanying Notes to Basic Financial Statements

**Village of Pioneer
Williams County
Statement of Activities
Cash Basis
For the Year Ended December 31, 2010**

	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants
<u>Governmental Activities</u>				
Security of Persons and Property	\$342,318	\$44,711		
Public Health	39,938	10,703	\$327	
Leisure Time Activities	44,288			
Community Environment	26,177	8,825		
Basic Utility Services	7,578			\$559,514
Transportation	117,750	15,174	80,566	
General Government	175,172	8,460		
Capital Outlay	1,347,247			
Debt Service:				
Principal Retirement	64,870			
Interest and Fiscal Charges	94,073			
Total Governmental Activities	2,259,411	87,873	80,893	559,514
<u>Business-Type Activities</u>				
Electric	3,758,169	3,685,318		
Other Enterprise				
Water	179,032	344,150		
Sewer	159,870	283,708		
Refuse	76,270	67,834		
Total Business-Type Activities	4,173,341	4,381,010		
Total	\$6,432,752	\$4,468,883	\$80,893	\$559,514

General Receipts

Property Taxes Levied for General Purposes
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Miscellaneous
OWDA Loan Proceeds

Total General Receipts

Transfers

Total General Receipts and Transfers

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 (Disbursements) Receipts
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$297,607)		(\$297,607)
(28,908)		(28,908)
(44,288)		(44,288)
(17,352)		(17,352)
551,936		551,936
(22,010)		(22,010)
(166,712)		(166,712)
(1,347,247)		(1,347,247)
(64,870)		(64,870)
(94,073)		(94,073)
(1,531,131)		(1,531,131)
	(\$72,851)	(72,851)
	165,118	165,118
	123,838	123,838
	(8,436)	(8,436)
	207,669	207,669
(1,531,131)	207,669	(1,323,462)
79,496		79,496
363,594		363,594
140,081		140,081
92,183		92,183
22,036	27	22,063
65,440		65,440
904,515		904,515
1,667,345	27	1,667,372
142,793	(142,793)	
1,810,138	(142,766)	1,667,372
279,007	64,903	343,910
529,957	2,089,606	2,619,563
\$808,964	\$2,154,509	\$2,963,473

Village of Pioneer
Williams County
Statement of Assets and Fund Balances
Cash Basis
Governmental Funds
December 31, 2010

	<u>General</u>	<u>Economic Development</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	<u>\$185,091</u>	<u>\$166,132</u>	<u>\$116,782</u>	<u>\$340,959</u>	<u>\$808,964</u>
<u>Fund Balances</u>					
Restricted		\$166,132	\$116,782	\$285,563	568,477
Unassigned	<u>\$185,091</u>				<u>185,091</u>
Total Fund Balances	<u>\$185,091</u>	<u>\$166,132</u>	<u>\$116,782</u>	<u>\$285,563</u>	<u>\$753,568</u>

See Accompanying Notes to Basic Financial Statements

**Village of Pioneer
Williams County
Statement of Receipts, Disbursements, and Changes in Fund Balances
Cash Basis
Governmental Funds
For the Year Ended December 31, 2010**

	<u>General</u>	<u>Economic Development</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Receipts</u>					
Property Taxes	\$66,157			\$13,339	\$79,496
Income Taxes	363,594				363,594
Other Local Taxes	140,081			3,895	143,976
Intergovernmental	92,183		\$559,514	70,677	722,374
Special Assessments				11,279	11,279
Charges for Services	51,485			10,703	62,188
Fees, Licenses, and Permits	135				135
Fines and Forfeitures	8,325			2,051	10,376
Interest	22,036			10,216	32,252
Loan Repayments		\$31,819			31,819
Miscellaneous	33,621				33,621
Total Receipts	777,617	31,819	559,514	122,160	1,491,110
<u>Disbursements</u>					
Current:					
Security of Persons and Property	342,318				342,318
Public Health	10,265			29,673	39,938
Leisure Time Activities	44,288				44,288
Community Environment	26,177				26,177
Basic Utility Services	7,578				7,578
Transportation	55,163			62,587	117,750
General Government	175,172				175,172
Capital Outlay			1,347,247		1,347,247
Debt Service:					
Principal Retirement			52,027	12,843	64,870
Interest and Fiscal Charges			90,766	3,307	94,073
Total Disbursements	660,961		1,490,040	108,410	2,259,411
Excess of Receipts Over (Under) Disbursements	116,656	31,819	(930,526)	13,750	(768,301)
<u>Other Financing Sources</u>					
OWDA Loans Issued			904,515		904,515
Transfers In			142,793		142,793
Total Other Financing Sources			1,047,308		1,047,308
Changes in Fund Balances	116,656	31,819	116,782	13,750	279,007
Fund Balances at Beginning of Year	68,435	134,313		327,209	529,957
Fund Balances at End of Year	\$185,091	\$166,132	\$116,782	\$340,959	\$808,964

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Taxes	\$61,047	\$61,047	66,157	\$5,110
Income Taxes	349,753	349,753	363,594	13,841
Other Local Taxes	117,342	117,342	140,081	22,739
Intergovernmental	105,420	105,420	92,183	(13,237)
Charges for Services	40,470	40,470	51,485	11,015
Fees, Licenses, and Permits	100	100	135	35
Fines and Forfeitures	14,194	14,194	8,325	(5,869)
Interest	24,402	24,402	22,036	(2,366)
Miscellaneous	40,272	40,272	33,621	(6,651)
Total Receipts	753,000	753,000	777,617	24,617
<u>Disbursements</u>				
Current:				
Security of Persons and Property	392,926	392,926	342,318	50,608
Public Health	10,000	10,000	10,265	(265)
Leisure Time Activities	39,000	39,000	44,288	(5,288)
Community Environment	23,300	23,300	26,177	(2,877)
Basic Utility Services	13,000	13,000	7,578	5,422
Transportation	63,000	63,000	55,163	7,837
General Government	225,774	225,774	175,172	50,602
Total Disbursements	767,000	767,000	660,961	106,039
Changes in Fund Balance	(14,000)	(14,000)	116,656	130,656
Fund Balance at Beginning of Year	68,435	68,435	68,435	
Fund Balance at End of Year	\$54,435	\$54,435	\$185,091	\$130,656

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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts</u>				
Loan Repayments	\$24,000	\$24,000	\$31,819	\$7,819
<u>Disbursements</u>				
Current:				
Community Environment	100,000	100,000		100,000
Changes in Fund Balance	(76,000)	(76,000)	31,819	107,819
Fund Balance at Beginning of Year	134,313	134,313	134,313	
Fund Balance at End of Year	<u>\$58,313</u>	<u>\$58,313</u>	<u>\$166,132</u>	<u>\$107,819</u>

See Accompanying Notes to Basic Financial Statements

Village of Pioneer
Williams County
Statement of Fund Net Assets
Cash Basis
Enterprise Funds
December 31, 2010

	Electric	Other Enterprise	Total Enterprise Funds
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,801,756	\$345,903	\$2,147,659
Cash and Cash Equivalents with Fiscal Agent	6,850		6,850
Total Assets	<u>\$1,808,606</u>	<u>\$345,903</u>	<u>\$2,154,509</u>
<u>Net Assets</u>			
Unrestricted	<u>\$1,808,606</u>	<u>\$345,903</u>	<u>\$2,154,509</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, 2010**

	<u>Electric</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
<u>Operating Revenues</u>			
Charges for Services	<u>\$3,685,318</u>	<u>\$695,692</u>	<u>\$4,381,010</u>
<u>Operating Expenses</u>			
Personal Services	299,748	183,585	483,333
Transportation	8,894	5,749	14,643
Contractual Services	2,547,618	148,545	2,696,163
Materials and Supplies	40,332	23,984	64,316
Capital Outlay	562,234	27,561	589,795
Miscellaneous	9,927		9,927
Debt Service:			
Principal Retirement	<u>216,304</u>	<u>23,216</u>	<u>239,520</u>
Total Operating Expenses	<u>3,685,057</u>	<u>412,640</u>	<u>4,097,697</u>
Operating Income	<u>261</u>	<u>283,052</u>	<u>283,313</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Income	27		27
Interest Expense	(73,112)	(2,532)	(75,644)
Transfers Out		(142,793)	(142,793)
Total Non-Operating Revenues (Expenses)	<u>(73,085)</u>	<u>(145,325)</u>	<u>(218,410)</u>
Changes in Net Assets	(72,824)	137,727	64,903
Net Assets at Beginning of Year	<u>1,881,430</u>	<u>208,176</u>	<u>2,089,606</u>
Net Assets at End of Year	<u>\$1,808,606</u>	<u>\$345,903</u>	<u>\$2,154,509</u>

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, 2010**

	<u>Electric</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
Increases (Decreases) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$3,685,318	\$695,692	\$4,381,010
Cash Payments for Personal Services	(299,748)	(183,585)	(483,333)
Cash Payments for Transportation	(8,894)	(5,749)	(14,643)
Cash Payments for Contractual Services	(2,547,618)	(148,545)	(2,696,163)
Cash Payments for Materials and Supplies	(40,332)	(23,984)	(64,316)
Cash Payments for Capital Outlay	(562,234)	(27,561)	(589,795)
Cash Payments for Miscellaneous	(9,927)		(9,927)
Net Cash Provided by Operating Activities	<u>216,565</u>	<u>306,268</u>	<u>522,833</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers Out		(142,793)	(142,793)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on OPWC Loans		(22,424)	(22,424)
Interest Paid on OPWC Loans		(1,699)	(1,699)
Principal Paid on Administration Building Loan	(2,571)	(792)	(3,363)
Interest Paid on Administration Building Loan	(2,707)	(833)	(3,540)
Principal Paid on AMP-Ohio Loan - JV6	(13,733)		(13,733)
Principal Paid on AMP-Ohio Loan	(200,000)		(200,000)
Interest Paid on AMP-Ohio Loan	(70,405)		(70,405)
Net Cash Used for Capital and Related Financing Activities	<u>(289,416)</u>	<u>(25,748)</u>	<u>(315,164)</u>
<u>Cash Flows from Investing Activities</u>			
Interest	<u>27</u>		<u>27</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(72,824)	137,727	64,903
Cash and Cash Equivalents at Beginning of Year	<u>1,881,430</u>	<u>208,176</u>	<u>2,089,606</u>
Cash and Cash Equivalents at End of Year	<u>\$1,808,606</u>	<u>\$345,903</u>	<u>\$2,154,509</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, 2010
(Continued)**

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 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 electric, water, sewer, 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 an ongoing financial interest or 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 13 and 14 to the basic financial statements.

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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 receipts 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 segregated resources that are restricted as to use. The funds of the Village are presented in two categories, governmental and proprietary.

Governmental Funds

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

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

Economic Development Fund - This fund receives revolving loan repayments restricted for economic development activities within the Village.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Projects Fund - This fund receives monies from the Ohio Water Development Authority restricted for water line and storm sewer reconstruction projects within the Village.

The other governmental funds of the Village account for grants and other resources whose use is restricted, committed, or assigned 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 electric fund is the Village's only major enterprise fund.

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, sewer, 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.

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/department level in the General Fund and at the fund level for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the fiscal officer. 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 the Village Council.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 are recorded as "Cash and Cash Equivalents with Fiscal Agent".

During 2010, the Village invested in nonnegotiable certificates of deposit, which are reported at cost.

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 2010 were \$22,036 which includes \$20,974 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.

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. 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.

G. 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.

H. 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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (ordinance or resolution) of Village Council. The committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or by a Village official delegated that authority by ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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 electric, water, sewer, 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 non-operating.

Note 3 – Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For 2010, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds previously reported.

Note 4 - 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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 4 - Deposits and Investments (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 5 - 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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2008, were levied after October 1, 2009, 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 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the values as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The full tax rate for all Village operations for the year ended December 31, 2010, was \$3.10 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2010 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$17,644,990
Commercial/Industrial/Mineral	6,567,020
Public Utility Property	
Personal	87,070
Total Assessed Value	<u>\$24,299,080</u>

Note 6 - Income Taxes

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 7 - 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 2010, 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	3,000,000
Aggregate	5,000,000
Employer's Liability	3,000,000
Public Officials Liability	
Each Wrongful Act	3,000,000
Aggregate	5,000,000
Law Enforcement Liability	
Each Wrongful Act	3,000,000
Aggregate	5,000,000
Boiler and Machinery	\$8,670,287
Property	8,670,287
Automobile Liability	3,000,000

There has been no significant reduction in insurance coverage from 2009 and settled claims have not exceeded this coverage in the past three years.

Note 8 - 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which 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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 8 - Defined Benefit Pension Plans (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Village's 2010 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the Village's contribution was 17.87 percent of covered payroll. The portion of the Village's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the Village's contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1, through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010. Employer contribution rates are actuarially determined.

The Village's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 was \$39,323, \$35,545, and \$33,562, respectively. For 2010, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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 publicly available financial that includes financial information and required supplementary information for the plan. The 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 - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2010, the portion of the Village's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers. The Village's contribution to OPF for police pension was \$16,443, for the year ended December 31, 2010, \$16,952, for the year ended December 31, 2009, and \$14,816, for the year ended December 31, 2008. For 2010, 92 percent has been contributed for police. The full amount has been contributed for 2009 and 2008.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order 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 mandate, 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units.

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 portion of the employer contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided 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.

The Village's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2010, 2009, and 2008 was \$22,418, \$26,658, and \$33,562, respectively. For 2010, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 9 - Postemployment Benefits (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS retirement board on September 9, 2004, was effective January 1, 2007. Member and employer contributions rates increased on January 1 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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, 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 check, or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, 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 publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, 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 is limited by the provisions of Sections 115 and 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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 9 - Postemployment Benefits (Continued)

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police was \$8,705, for the year ended December 31, 2010, \$8,975, for the year ended December 31, 2009, and \$7,844, for the year ended December 31, 2008. For 2010, 92 percent has been contributed for police. The full amount has been contributed for 2009 and 2008.

Note 10 - 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 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 11 - Long-Term Obligations

The Village's long-term debt activity for the year ended December 31, 2010, was as follows:

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Governmental Activities</u>						
OPWC Loan						
1995 Baubice Street (Original Amount \$408,500)	4.00%	\$134,137		\$12,250	\$121,887	\$25,240
Administration Building Loan (Original Amount \$12,720)	4.95	12,720		593	12,127	623
OWDA Loans						
2009 Water Line and Storm Sewer Reconstruction (Original Amount \$5,241,074)	2 -5.45	4,418,862	\$720,564	52,027	5,087,399	
2010 Water Distribution System Improvements (Original Amount \$668,287)	2.00		183,951		183,951	
Total Governmental Activities		<u>\$4,565,719</u>	<u>\$904,515</u>	<u>\$64,870</u>	<u>\$5,405,364</u>	<u>\$25,863</u>

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 11 - Long-Term Obligations (Continued)

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2010</u>	<u>Due Within One Year</u>
OPWC Loans						
1993 Water Treatment Plant Improvements (Original Amount \$317,044)	4%	\$84,901		\$9,892	\$75,009	\$20,381
2000 Lynn Street Storm Sewer (Original Amount \$122,787)	0	61,394		3,070	58,324	6,139
2000 Elm and Church Street Drainage Improvements (Original Amount \$108,283)	0	10,828		5,414	5,414	5,414
2004 Storm Sewer Improvements (Original Amount \$161,926)	0	141,685		4,048	137,637	8,096
Total OPWC Loans		<u>298,808</u>		<u>22,424</u>	<u>276,384</u>	<u>40,030</u>
Other Long-Term Obligations						
Administration Building Loan (Original Amount \$72,080)	4.95	72,080		3,363	68,717	3,533
AMP Payable - JV6		84,294		13,733	70,561	12,752
AMP Loan		2,525,000		200,000	2,325,000	107,746
Total Business-Type Activities		<u>\$2,980,182</u>		<u>\$239,520</u>	<u>\$2,740,662</u>	<u>\$164,061</u>

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

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

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

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

2000 Elm and Church Street Drainage Improvements - 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 Storm Sewer Improvements - This loan is for storm sewer improvements. The term of the loan is 20 years, with the final maturity in 2027. This loan is being retired from the Sewer enterprise fund.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 11 - Long-Term Obligations (Continued)

Administration Building Loan - During 2009, the Village obtained a loan, in the amount of \$84,800 to purchase a building. The loan has an interest rate of 4.95 percent and will mature in November 2024. The loan will be paid 15 percent from the Street special revenue fund, 10 percent from the Water enterprise fund, 10 percent from the Sewer enterprise fund, and 65 percent from the Electric enterprise fund.

OWDA Loans Payable - The OWDA loans represent amounts borrowed from the Ohio Water Development Authority for water line and storm sewer reconstruction and water distribution system improvements. The 2009 loan has an interest rate of 2 to 5.45 percent. This project is not yet completed; however, the loan will be paid 60 percent from the Water enterprise fund and 40 percent from the Sewer enterprise fund. The 2010 loan has an interest rate of 2 percent. This project is not yet completed; however, the loan will be paid from governmental funds.

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

On November 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 made available for a new substation transformer and transmission line interconnecting with Toledo Edison.

In October 2008, because 85 percent of the \$1,000,000 funds were not spent within three years of the October 27, 2005, loan agreement, \$400,000 of the available monies was forfeited, leaving \$600,000 for the Village to draw on. The Village drew \$566,056 and \$4,623 in 2008 and 2009, respectively. The debt must be fully retired by the end of 2025. This loan will be repaid from the Electric enterprise fund.

At December 31, 2010, the Village's overall debt margin was \$2,551,403.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 11 - Long-Term Obligations (Continued)

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

Year	OPWC Loan		Administration Building Loan	
	Principal	Interest	Principal	Interest
2011	\$25,240	\$4,626	\$623	\$589
2012	26,260	3,606	653	559
2013	27,321	2,545	688	524
2014	28,426	1,441	722	490
2015	14,640	293	759	453
2016-2020			4,407	1,654
2021-2025			4,275	452
	<u>\$121,887</u>	<u>\$12,511</u>	<u>\$12,127</u>	<u>\$4,721</u>

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

Year	OPWC Loans		Administration Building Loan		AMP Payable-JV6	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$40,030	\$2,798	\$3,533	\$3,336	\$12,752	\$1,348
2012	35,439	1,976	3,702	3,167	12,458	1,642
2013	36,296	1,118	3,897	2,972	12,409	1,691
2014	25,598	227	4,094	2,774	12,910	1,190
2015	14,236		4,300	2,569	13,432	668
2016-2020	68,108		24,969	9,375	6,600	132
2021-2025	40,483		24,222	2,564		
2026-2027	16,194					
	<u>\$276,384</u>	<u>\$6,119</u>	<u>\$68,717</u>	<u>\$26,757</u>	<u>\$70,561</u>	<u>\$6,671</u>

AMP Loan		
Year	Principal	Interest
2011	\$107,746	\$116,250
2012	113,133	110,863
2013	118,790	105,206
2014	124,729	99,267
2015	130,966	93,030
2016-2020	759,852	360,128
2021-2025	969,784	150,196
	<u>\$2,325,000</u>	<u>\$1,034,940</u>

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 12 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Economic Development	Capital Projects	Other Governmental	Total Governmental Funds
Restricted for:					
Cemetery Maintenance				\$92,586	\$92,586
Debt Retirement				76,643	76,643
Economic Development		\$166,132			166,132
Fire Department Operations				49,989	49,989
Permanent Improvements			\$116,782		116,782
Police Department Operations				13,199	13,199
Street Construction and Maintenance				108,542	108,542
Total Restricted		166,132	116,782	340,959	623,873
Unassigned	\$185,091				185,091
Total Fund Balance	\$185,091	\$166,132	\$116,782	\$340,959	\$808,964

Note 13 - 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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 14 - 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 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. As of December 31, 2010, the Village had not met its debt coverage obligation.

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, which acts as the joint venture's agent. During 2001, AMP 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 \$275,002 at December 31, 2010. Complete financial statements for JV2 may be obtained from AMP or from the Auditor of State of Ohio website at 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, 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 \$622,554 at December 31, 2010. Complete financial statements for JV4 may be obtained from AMP or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 14 - 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.

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. As of December 31, 2010, the Village had met its debt coverage obligation. 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, which acts as the joint venture's agent. During 1993 and 2001, AMP 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 \$82,102 at December 31, 2010. Complete financial statements for JV5 may be obtained from AMP or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 14 - 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 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. As of December 31, 2010, the Village had met its debt coverage obligation.

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, which acts as the joint venture's agent. During 2004, AMP 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, 2010, was \$70,561. The Village's net investment in JV6 was \$117,711 at December 31, 2009. Complete financial statements for JV6 may be obtained from AMP or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

Note 15 – Interfund Transfers

During 2010, a transfer was made from the Water and the Sewer enterprise funds to the Capital Projects fund in the amount of \$142,793 to record debt payments in the Capital Projects fund for an ongoing project.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 16 - Contingent Liabilities

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

For the period January 1, 2010, to December 31, 2010, 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

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

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

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

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

B. American Municipal Power Generating Station (AMPGS)

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

History of the AMPGS Project

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 17 – Long Term Purchase Commitments (Continued)

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

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

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

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

Based on an allocation to the Village of 500 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village has a potential stranded cost obligation of \$81,778 for the AMPGS Project.

AMP Fremont Energy Center (AFEC) Development Fee

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 17 – Long Term Purchase Commitments (Continued)

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$55,489 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 530 and the total kW share of those participating in both projects.

C. Combined Hydroelectric Projects

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

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

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

Note 18 – Related Party Transaction

The Village purchases various water and sewer parts from Artesian of Pioneer, Inc., which is owned by the Mayor of Pioneer. The Village paid \$948 in 2010.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the 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, 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 13, 2012, wherein we noted the Village uses a comprehensive accounting basis other than accounting principles generally accepted in the United States of America and the Village adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be material weakness.

Compliance and Other Matters

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

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

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

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

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

Dave Yost
Auditor of State

August 13, 2012

VILLAGE OF PIONEER
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010

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

FINDING NUMBER 2010-001

Material Weakness – Fund Balance Classification

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

Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

The Village has a cemetery trust fund established under Ohio Revised Code 759.12 which receives a portion of the sale of cemetery lots and the interest or income earned on these monies is restricted for the perpetual care of lots. The Village reported the entire Permanent fund type balance as "Restricted" instead of classifying a portion as "Nonspendable".

An adjustment in the amount of \$55,396 was made to the Permanent fund type to reclassify a portion of the fund balance which represents the principal portion of the trust fund from "Restricted" to "Nonspendable".

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

Officials' Response:

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

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VILLAGE OF PIONEER
WILLIAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code § 5705.41(B) – Expenditures exceeding appropriations in the Capital Projects and Water funds.	Yes	

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VILLAGE OF PIONEER

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 28, 2012