



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF PIONEER
WILLIAMS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Pioneer
Williams County
205 South State Street
P.O. Box 335
Pioneer, Ohio 43554-0335

To the Village Council:

We have audited the accompanying financial statements of the Village of Pioneer, Williams County, Ohio, (the Village) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Finance Committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 21, 2001

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$317,269				\$317,269
Special Assessments			\$10,514		10,514
Intergovernmental Receipts	94,985	\$51,085		\$109,562	255,632
Charges for Services	31,142	19,405			50,547
Fines, Licenses, and Permits	3,118	149			3,267
Miscellaneous	119,832	90,147			209,979
	<u>566,346</u>	<u>160,786</u>	<u>10,514</u>	<u>109,562</u>	<u>847,208</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	198,888	13,507			212,395
Public Health Services	7,030	4,803			11,833
Leisure Time Activities	10,229				10,229
Community Environment	17,783				17,783
Basic Utility Services	68,432				68,432
Transportation	41,906	14,958			56,864
General Government	154,595				154,595
Debt Service:					
Principal Payments	11,400		11,312		22,712
Interest Payments	2,580		6,690		9,270
Capital Outlay	115,490	124,059		368,893	608,442
	<u>628,333</u>	<u>157,327</u>	<u>18,002</u>	<u>368,893</u>	<u>1,172,555</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(61,987)</u>	<u>3,459</u>	<u>(7,488)</u>	<u>(259,331)</u>	<u>(325,347)</u>
Other Financing Receipts:					
Loan Proceeds				247,673	247,673
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(61,987)	3,459	(7,488)	(11,658)	(77,674)
Fund Cash Balances, January 1	72,855	212,991	18,293	15,526	319,665
Fund Cash Balances, December 31	<u>\$10,868</u>	<u>\$216,450</u>	<u>\$10,805</u>	<u>\$3,868</u>	<u>\$241,991</u>

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$2,536,041		\$2,536,041
Miscellaneous	125,835	\$4,467	130,302
Total Operating Cash Receipts	<u>2,661,876</u>	<u>4,467</u>	<u>2,666,343</u>
Operating Cash Disbursements:			
Personal Services	250,277		250,277
Fringe Benefits	4,451		4,451
Contractual Services	1,716,854		1,716,854
Supplies and Materials	293,904		293,904
Capital Outlay	91,078		91,078
Total Operating Cash Disbursements	<u>2,356,564</u>		<u>2,356,564</u>
Operating Income	<u>305,312</u>	<u>4,467</u>	<u>309,779</u>
Non-Operating Cash Receipts:			
Sale of Notes	2,699,730		2,699,730
Other Non-Operating Receipts	10,295		10,295
Total Non-Operating Cash Receipts	<u>2,710,025</u>		<u>2,710,025</u>
Non-Operating Cash Disbursements:			
Debt Service	2,371,322		2,371,322
Other Non-Operating Cash Disbursements	11,495		11,495
Total Non-Operating Cash Disbursements	<u>2,382,817</u>		<u>2,382,817</u>
Excess of Cash Receipts Over Cash Disbursements	632,520	4,467	636,987
Fund Cash Balances, January 1	<u>727,986</u>	<u>53,901</u>	<u>781,887</u>
Fund Cash Balances, December 31	<u>\$1,360,506</u>	<u>\$58,368</u>	<u>\$1,418,874</u>

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Pioneer, Williams County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire services

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Street Debt Service - This fund accumulates amounts required to repayment debt for street improvements.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Church and Elm Street Reconstruction Fund - This fund receives proceeds from grants, loans, and monies expended by the State of Ohio on behalf of the Village for public works projects. The proceeds are being used to reconstruct a Church and Elm street within the Village.

5. Enterprise Funds

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

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

6. Fiduciary Funds (Trust and Agency Funds)

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

Cemetery Trust Fund - The fund accounts for both the principal of trust and interest earned from the principal. Interest earnings can be used for perpetual care of the Village cemetery.

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. In 2000, the Village did not encumber all commitments required by Ohio law.

A summary of 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

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

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2000</u>
Demand deposits	\$894,183
Cash on Hand	100
Certificates of deposit	<u>551,174</u>
Total deposits	<u>1,445,457</u>
 STAR Ohio	 <u>215,408</u>
Total deposits and investments	<u><u>\$1,660,865</u></u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$670,000	\$566,346	(\$103,654)
Special Revenue	188,350	160,786	(27,564)
Debt Service	30,000	10,514	(19,486)
Capital Projects	329,297	357,235	27,938
Enterprise	2,808,000	5,371,901	2,563,901
Fiduciary	<u>4,120</u>	<u>4,467</u>	<u>347</u>
Total	<u><u>\$4,029,767</u></u>	<u><u>\$6,471,249</u></u>	<u><u>\$2,441,482</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$217,150	\$628,333	(\$411,183)
Special Revenue	40,400	157,327	(116,927)
Debt Service		18,002	(18,002)
Capital Projects	40,000	368,893	(328,893)
Enterprise	606,250	4,739,381	(4,133,131)
Fiduciary			
Total	<u><u>\$903,800</u></u>	<u><u>\$5,911,936</u></u>	<u><u>(\$5,008,136)</u></u>

VILLAGE OF PIONEER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

4. PROPERTY TAX

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

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

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

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

5. LONG TERM DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$791,122	0-4%
Federal Home Administration Loan	541,000	5%
Promissory Notes	169,186	5-5.4%
Total	<u>\$1,501,308</u>	

The Ohio Water Development Authority (OWDA) loan relates to improvements made to the water treatment plant, various streets and storm sewers. The loans will be paid in semiannual installments ranging from \$60,818 to \$6,139, including interest.

The Federal Home Administration (FHA) loan relates to sanitary sewer improvements. The loan will be paid in varying annual installments, including interest, ranging from \$47,550 in 1996 to \$48,300 in 2017.

The Promissory Notes relate to projects for water and street improvements. The loans will be repaid in varying annual installments, including interest, ranging from \$44,911 to \$8,202. These are 10 year notes.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. LONG TERM DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>Farmer's Home Administration Loan</u>	<u>Promissory Notes</u>
2001	\$64,259	\$48,050	\$44,911
2002	69,660	48,050	43,015
2003	69,646	48,000	41,121
2004	69,631	47,900	39,224
2005	69,615	47,750	14,809
Subsequent	615,456	576,200	8,202
Total	<u>\$958,267</u>	<u>\$815,950</u>	<u>\$191,282</u>

6. SHORT TERM DEBT

The Village has Electric System Improvement Bond Anticipation Notes, Series 2000, with American Municipal Power-Ohio, Inc. (AMP-Ohio) for \$2,700,000. These Notes consist of prior rollover Series 1999 Notes of \$2,200,000 as well as a new issuance of \$500,000. On the maturity date of the Combined (2000) Notes, which is expected to be in November 2001, the Village will pay AMP-Ohio (from revenues of its electric system), all interest due on the Combined (2000) Notes plus an amount of principal (if any) as determined by Pioneer Village. If the Combined (2000) Notes are refinanced, all interest due on such refinanced notes plus an amount of principal equal to the amount of principal which would be due in the first year on a loan of \$500,000, for a term of 20 years.

If AMP-Ohio is unable to refinance the Notes, it shall give the Village sixty (60) days' notice of such inability, and the Village shall pay to AMP-Ohio all amounts necessary to retire such notes at maturity. The Village could obtain the necessary financing from other sources. The Village has hired a consultant. The consultant monitors monthly utility rates to ensure that revenues are sufficient to cover operation costs including debt service.

The Original Agreement is dated November 7, 1997 and the stated maturity date for this agreement is November 30, 2017. The principal and interest are due in full on or before November 2, 2001. In the event that any installment shall become overdue for a period in excess of ten (10) days from the then-current prime rate as published in the Wall Street Journal plus three percent (3%) of the unpaid balance of the note then outstanding.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2000, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% of participants' gross salaries for 2000, respectively. The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Village is a member of the Ohio Government Risk Management Plan Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

9. COMPLIANCE

Certain material noncompliance issues included: improper certification of monies by the Clerk; improper budgeting and posting of Issue II monies; estimated revenue amounts not being posted to the financial ledgers; negative fund balances; expenditures exceeding appropriations; legally adopted appropriations not being posted to the ledgers; and improper certification to the County Auditor of the rollover of notes and issuance of additional notes.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Pioneer
Williams County
205 South State Street
P.O. Box 335
Pioneer, Ohio 43554-0335

To the Village Council:

We have audited the accompanying financial statements of the Village of Pioneer (the Village) as of and for the year ended December 31, 2000 and have issued our report thereon dated August 21, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance which are described in the accompanying schedule of findings as 2000-30186-001 through 2000-30186-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 21, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-30186-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above as item 2000-30186-008 is considered to be a material weakness. We also noted other matters involving the internal control over financial reporting and its operation that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 21, 2001.

This report is intended for the information and use of the Finance Committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 21, 2001

VILLAGE OF PIONEER
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000

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

FINDING NUMBER 2000-30186-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (D) states no subdivision shall make any contract or order any expenditure of money unless a certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section provides two exceptions to the above requirements:

- a. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant. The taxing authority has 30 days from the receipt of such a certificate to approved payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.
- b. Amounts of less than \$1,000 for political divisions may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Sixty percent of the transactions tested were not certified at the time the commitment was incurred. These commitments were not subsequently approved by the Council as a “then and now” certificate.

We recommend the Clerk certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a “then and now” certificate.

FINDING NUMBER 2000-30186-002

Noncompliance Citation

Ohio Revised Code § 5705.42 requires that the United States government of the state or any department, division, agency, authority, or unit thereof makes a grant of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such sub division, or enters into an agreement with the subdivision for the making of any such grant of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision and is deemed in process of collection within the meaning of § 5705.41 of the Revised Code.

**FINDING NUMBER 2000-30186-002
 (Continued)**

During 2000, Issue II funds in the amount of \$139,390 and Ohio Public Works Commission (OPWC) Loans in the amount of \$79,297 were sent to the contractors by the OPWC on behalf of the Village for the Elm & Church Street Project and the Clark Street Project. This activity was not originally reported on the Village's financial statements. Receipts and disbursements were understated in the Capital Projects Fund Type. An adjustment was subsequently made to the financial statements to reflect this activity.

We recommend that the Village comply with the Auditor of State Bulletin 1997-12 and 2000-08 and MAS Bulletin 89-17 and contact OPWC to obtain the amount of Issue II and OPWC Loan Proceeds designated to the Village. These amounts should be budgeted and posted to the Village's books.

FINDING NUMBER 2000-30186-003

Noncompliance Citation

Former Ohio Administrative Code § 117-5-10 (repealed as of January 1, 2001) required that each village maintain a receipts ledger that contained a separate sheet for each account established by the Village. The Village should have been posting to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources. In 2000, no estimated revenue amounts were posted to the Village's revenue history reports (the receipts ledger).

Though this code section has been repealed, new Ohio Administrative Code § 117-2-02(D)(2) encourages local governments to utilize a receipts ledger. Incomplete or inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position. The Village Clerk should post the taxes revenue and total other sources revenue amounts provided in the certificates of estimated resources to the Village's revenue history reports.

FINDING NUMBER 2000-30186-004

Noncompliance Citation

Ohio Revised Code § 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund. As of December 31, 2000, the Village had negative fund balances in the following funds:

<u>Fund Type</u>	<u>Individual Fund</u>	<u>Fund Balance</u>
Special Revenue	Street Construction, Maintenance, and Repair Fund	(\$16,396)
Debt Service	Street Debt Service Fund	(4,794)
Capital Projects	Church and Elm Street Reconstruction Fund	(11,595)

Expenditures were made from the above noted funds without advancing money from another fund to cover the obligations.

In order to ensure compliance with this Ohio Revised Code provision, the Village should implement procedures to make sure that funds are available to cover the Village's obligations throughout the year. If funds are not available at the time an obligation is incurred, the Village should advance money from another fund to cover the expenses of the indebted fund.

FINDING NUMBER 2000-30186-005

Noncompliance Citation

Ohio Revised Code § 5705.38 requires each subdivision, on or about the first day of each fiscal year, to adopt an appropriation resolution. Although Council approved a temporary appropriation measure for FY 2000, there was no evidence to indicate that Council approved a formal appropriation measure. We recommend that the annual appropriation measure and any amendments made throughout the year be formally approved by the Trustees and documented in the Township's minutes.

Ohio Revised Code § 5705.41 (B) also provides that no subdivision or taxing unit is to expend money unless it has been appropriated. Since the Village did not properly appropriate its funds, actual expenditures exceeded appropriations for all funds by the following amounts:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$217,150	\$628,333	(\$411,183)
Special Revenue	40,400	157,327	(116,927)
Debt Service		18,002	(18,002)
Capital Projects	40,000	368,893	(328,893)
Enterprise	606,250	4,739,381	(4,133,131)

Allowing expenditures to exceed appropriations could result in deficit spending. The Village should regularly monitor budgets to make sure that there are sufficient appropriations to fund anticipated expenditures.

FINDING NUMBER 2000-30186-006

Noncompliance Citation

Ohio Administrative Code § 117-5-11 (repealed as of January 1, 2001) required that each village shall maintain an appropriation ledger that contained a separate sheet for each account established. Each village was required to post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s).

The budgeted expenditures in the budget history reports (the appropriation ledger) did not match the appropriations approved by Council.

Though this code section has been repealed, new Ohio Administrative Code § 117-2-02(D)(3) encourages local governments to utilize an appropriations ledger. Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding financial position.

We recommend that budgeted expenditures posted to the budget reports reflect the amounts originally approved in the annual appropriation measure as well as any modifications or supplements approved by Council in the minutes.

FINDING NUMBER 2000-30186-007

Noncompliance Citation

Ohio Revised Code § 133.22 requires that when a subdivision issues notes, the financial officer of the subdivision must notify the County Auditor that such notes have been sold.

In order to facilitate repayment of debt, at the time the notes or bonds are issued, the subdivision requests from the county budget commission an amended certificate of estimated resources pursuant to Ohio Revised Code § 5705.36. The new certificate should contain an increase in the estimate of bond retirement fund receipts equal to the amount which will be allocated to this fund for the repayment of the notes or bonds, including interest. In addition, the amount of the general fund (or other appropriate fund) estimate should be reduced by the amount of interest generated by the issuance of the notes or bonds.

During 2000, the Village renewed its \$2,200,000 loan with the American Municipal Power-Ohio, Inc (AMP-Ohio) and it received an additional loan of \$500,000 from AMP-Ohio. Both of these amounts were not certified to the County Auditor. In addition, the loan renewal was not posted to the financial ledgers and the additional loan was posted to the incorrect line item. In order to ensure compliance with the above requirement, we recommend that any loan renewals and additional loans be certified to the County Auditor prior to the proceeds being received. In addition, we recommend that appropriations be certified to the County Auditor at the same time as estimated resources.

FINDING NUMBER 2000-30186-008

Material Weakness - Budgetary Issues

The Village does not follow sound budgetary procedures. For example, in fiscal year 2000 Council did not adopt a permanent appropriation measure and as of August 21, 2001, Council has yet to adopt a temporary or permanent appropriation measure for fiscal year 2001. Although the Clerk posted some appropriations to the 2000 financial ledgers, they were never authorized by Council. Furthermore, evidence indicates that the neither Council nor the Administrator is taking an active role in developing and monitoring budgets. This has contributed to expenditures exceeding appropriations by material amounts in several funds in 2000. It also resulted in three funds having significant, negative fund balances at the end of the year.

It is imperative that Council, the Administrator, the Clerk, and other management personnel follow prudent budgetary practices to help assess the Village's financial position, determine whether or not financial goals are being met, and ascertain what might be done to better utilize the Village's available resources. We recommend the following procedures:

- Budget meetings should be held starting some time in November. These meetings should include members from Council, the Administrator, the Clerk, and Departmental Supervisors. Detailed budgets should be devised and discussed in order to properly monitor annual expenditures.
- Council should approve an annual appropriation measure and certificate of estimated resources and the Clerk should post only these legally adopted measures to the financial ledgers. Budget to actual statements for all funds should be reviewed on a monthly basis by Council, the Administrator, and the Clerk to ensure that all budgetary compliance requirements are being met. In addition, this provides a means of monitoring the types of expenditures being made.

FINDING NUMBER 2000-30186-008
(Continued)

- Council, the Administrator, and the Clerk should review all amendments to appropriations and estimated resources to ensure that they are being properly updated to the computer system. All amendments should be approved by Council prior to being posted to the financial ledgers.
- Bank reconciliations and fund reports should be reviewed, in detail, by Council in order to avoid negative fund balances. If negative fund balances occur, Council and management needs to assess where improvements need to be made. For instance, expenditures may need to be monitored or transfers and advances may need to be made to cover expenditures.

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**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30186-001	ORC§ 135.21 Interest misposted to Electric fund	Yes	Corrected - Interest adjustment properly posted to the General Fund in 2000.
1999-30186-002	ORC § 5705.10 Gas tax monies misposted to other Special Revenue Funds	Yes	Corrected - Gas tax adjustments were properly posted to the Motor Vehicle License Tax fund in 2000.
1999-30186-003	ORC § 5705.131 Principal of nonexpendable trust fund was included in unencumbered balance provided to County Auditor	Yes	Corrected - The principal amount of the non-expandable trust fund was not included in the unencumbered balances certified to the County Auditor in 2000.
1999-30186-004	ORC § 5705.41 (D) Purchase orders were not properly encumbered	No	Not Corrected - The Clerk does not properly certify all of her purchase orders.
1999-30186-005	ORC § 5705.42 OPWC Issue II grant and loans not posted to financial statements	No	Not Corrected - The Clerk did not post all of the Issue II monies and OPWC loans to the financial statements.
1999-30186-006	OAC § 117-5-10 Estimated Revenues not posted to the Revenue reports	No	Not Corrected - The Clerk did not post all estimated revenue amounts to the Revenue History Reports.
1999-30186-007	OAC § 117-5-11 Appropriations not updated to the Expenditure report	No	Not Corrected - The Clerk did not post all appropriation amounts to the Budget History Report.
1999-30186-008	Income tax collections were not posted to account records	Yes	Corrected - Beginning in FY 2001, the Village started computerizing income taxes so this recommendation will no longer be applicable.
1999-30186-009	Not all encumbrances were posted to the financial ledgers	No	Not Corrected - The Clerk did not post all appropriation amounts to the Budget History Report.



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OFFICE OF THE AUDITOR

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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
SEPTEMBER 6, 2001**