



**Auditor of State
Betty Montgomery**

VILLAGE OF PIONEER
WILLIAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Pioneer, Williams County, (the Village) as of and for the year ended December 31, 2003. 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, 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2004 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.

Village of Pioneer
Williams County
Independent Accountants' Report
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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.

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

Betty Montgomery
Auditor of State

July 1, 2004

**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, 2003

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 495,498	\$ 84,157	\$ -	\$ 579,655
Special Assessments	-	-	12,155	12,155
Intergovernmental Receipts	87,152	83,792	-	170,944
Charges for Services	42,396	21,414	-	63,810
Fines, Licenses, and Permits	927	426	-	1,353
Earnings on Investments	16,425	2,703	-	19,128
Miscellaneous	29,889	35,456	-	65,345
Total Cash Receipts	672,287	227,948	12,155	912,390
Cash Disbursements				
Current:				
Security of Persons and Property	223,859	17,921	-	241,780
Public Health Services	7,414	8,759	-	16,173
Leisure Time Activities	42,013	-	-	42,013
Community Environment	13,485	-	-	13,485
Basic Utility Services	14,698	-	-	14,698
Transportation	53,185	32,767	-	85,952
General Government	162,704	-	-	162,704
Debt Service:				
Principal Payments	-	425,000	58,522	483,522
Interest Payments	-	10,200	12,323	22,523
Capital Outlay	10,002	45,425	-	55,427
Total Cash Expenditures	527,360	540,072	70,845	1,138,277
Total Cash Receipts Over/ (Under) Cash Disbursements	144,927	(312,124)	(58,690)	(225,887)
Other Financing Receipts/(Disbursements)				
Sale of Bonds or Notes	-	340,000	-	340,000
Transfers-In	15,599	-	58,690	74,289
Transfers-Out	(179,258)	-	(15,599)	(194,857)
Total Other Financing Receipts/(Disbursements)	(163,659)	340,000	43,091	219,432
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(18,732)	27,876	(15,599)	(6,455)
Fund Cash Balances, January 1	77,161	369,847	15,599	462,607
Fund Cash Balances, December 31	\$ 58,429	\$ 397,723	\$ -	\$ 456,152

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, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts			
Charges for Services	\$ 2,402,783	\$ -	\$ 2,402,783
Miscellaneous	127,956	975	128,931
Total Operating Cash Receipts	<u>2,530,739</u>	<u>975</u>	<u>2,531,714</u>
Operating Cash Disbursements			
Personal Services	273,174	-	273,174
Fringe Benefits	1,056	-	1,056
Contractual Services	1,701,501	-	1,701,501
Supplies and Materials	104,130	-	104,130
Capital Outlay	106,212	-	106,212
Total Operating Cash Disbursements	<u>2,186,073</u>	<u>-</u>	<u>2,186,073</u>
Operating Income	<u>344,666</u>	<u>975</u>	<u>345,641</u>
Non-Operating Cash Receipts			
Interest	-	1,042	1,042
Proceeds from Notes and Bonds	400,000	-	400,000
Other Non-Operating Receipts	8,370	-	8,370
Total Non-Operating Cash Receipts	<u>408,370</u>	<u>1,042</u>	<u>409,412</u>
Non-Operating Cash Disbursements			
Debt Service	745,600	-	745,600
Other Non-Operating Cash Disbursements	8,403	-	8,403
Total Non-Operating Cash Disbursements	<u>754,003</u>	<u>-</u>	<u>754,003</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements Before Interfund Transfers and Advances	(967)	2,017	1,050
Transfers-In	120,568	-	120,568
Net Cash Receipts Over Cash Disbursements	119,601	2,017	121,618
Fund Cash Balances, January 1	<u>1,064,284</u>	<u>64,204</u>	<u>1,128,488</u>
Fund Cash Balances, December 31	<u>\$ 1,183,885</u>	<u>\$ 66,221</u>	<u>\$ 1,250,106</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, 2003

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

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

B. Basis of Accounting

These financial statements follow the 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

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.

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

D. Fund Accounting

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

1. General Fund

The General Fund 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 Funds

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

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

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

3. Debt Service 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 Fund – This fund receives special assessments for the retirement of debt issued to construct, maintain, and repair Village Streets.

4. Enterprise Funds

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

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

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

5. Fiduciary Funds (Trust Funds)

Trust funds 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. The Village had the following significant fiduciary fund:

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

Cash on hand	\$ 100
Demand deposits	924,053
Certificates of deposit	<u>551,173</u>
Total deposits and cash on hand	<u>1,475,326</u>
STAR Ohio	<u>230,932</u>
Total deposits, cash on hand, and investments	<u><u>\$ 1,706,258</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, 2003 follows:

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 715,600	\$ 687,886	\$ (27,714)
Special Revenue	631,600	567,948	(63,652)
Debt Service	71,584	70,845	(739)
Enterprise	3,040,311	3,059,677	19,366
Fiduciary	3,000	2,017	(983)
Total	<u>\$ 4,462,095</u>	<u>\$ 4,388,373</u>	<u>\$ (73,722)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 797,759	\$ 706,618	\$ 91,141
Special Revenue	1,001,447	540,072	461,375
Debt Service	87,184	86,444	740
Enterprise	4,099,595	2,940,076	1,159,519
Fiduciary	67,205	67,205	
Total	<u>\$ 6,053,190</u>	<u>\$ 4,273,210</u>	<u>\$ 1,779,980</u>

The Village did not properly certify funds in forty percent of the vouchers tested.

Legally adopted appropriations varied significantly with amounts posted in the Village's ledgers in several funds, contrary to Ohio Revised Code § 5705.40.

The Village did not obtain a reduced amended certificate in several funds where estimated resources exceeded available resources and appropriations were greater than available resources.

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.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

		<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$ 769,357	0% - 4%
General Obligation Promissory Notes	62,236	5% - 5.4%
AMP Ohio Loan	2,250,000	1.30%
Bond Anticipation Notes	740,000	2.4% -2.5%
Total	<u>\$ 3,821,593</u>	

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

The Bond Anticipation Notes relate to sanitary sewer improvements and to a fire truck loan. The loans were financed with bond anticipation notes on May 22, 2003 and May 29, 2004 respectively.

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

The Village entered into a loan agreement with American Municipal Power - Ohio, Inc. (AMP-Ohio) for an amount of \$2,250,000 for the purpose of providing financing for the acquisition and installation of electric system improvements.

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

On the maturity date of each series of the Notes maturing on or before November 2, 2004, the Village will pay to AMP-Ohio all interest due on the Notes plus any amount of principal up to the original principal amount of such series, and on the maturity date of such series of the Notes plus an amount of principal equal to the amount of principal amount which would be due in the corresponding year on a loan in the original amount of such series, for a term of 20 years, at the interest rate borne by such series of the Notes.

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

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

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

Year ending December 31:	OPWC Loans	General Obligation Promissory Notes	Waterworks System Revenue Bond Anticipation Note	Fire Truck Bond Anticipation Note
2004	\$ 70,013	\$ 39,224	\$ 406,000	\$ 345,100
2005	70,013	14,809	-	-
2006	70,013	8,203	-	-
2007	70,013	-	-	-
2008	70,013	-	-	-
2009 – 2020	419,292	-	-	-
Total	<u>\$ 769,357</u>	<u>\$ 62,236</u>	<u>\$ 406,000</u>	<u>\$ 345,100</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

The Plan uses conventional coverages and reinsures these coverages 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which may vary from member to member.

The Pool covers the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Inland Marine

9. JOINT VENTURE

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

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$424,327 at December 31, 2003. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the Village's Administrator.

10. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the Village financed primarily by user charges are refuse collection, water treatment and distribution, wastewater collection and treatment, electric utility services. The key financial information for the year ended December 31, 2003 for these enterprise activities are indicated below:

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

	Water Fund	Sewer Fund	Electric Fund	Deposits Fund	Refuse Fund	Enterprise Funds
Operating Cash Receipts	\$ 162,678	\$ 234,169	\$ 2,082,993		\$ 50,899	\$ 2,530,739
Debt Service	42,150	461,250	242,200			745,600
Capital Outlay	8,870	37,834	59,508			106,212
Operating Cash Disbursements	66,668	129,615	1,945,220		44,570	2,186,073
Fund Cash Balances at 12-31-03	82,248	378,955	670,816	\$26,558	25,308	1,183,885
Operating Loss/Income	96,009	104,554	137,773		6,330	344,666
Net Receipt over Disbursements	53,859	43,303	16,141	(32)	6,330	119,601



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Pioneer, Williams County, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated July 1, 2004. 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 1, 2004.

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 a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and 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. The reportable condition is described in the accompanying schedule of findings as item 2003-004.

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 controls over financial reporting that might be reportable conditions and, accordingly, wouldn't necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We noted other matters involving the internal over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 1, 2004.

This report is intended solely 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.

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

Betty Montgomery
Auditor of State

July 1, 2004

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the 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. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 (\$3,000 after April 7, 2003) or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000 (\$3,000 after April 7, 2003), the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

The Clerk did not make the proper certification of funds in forty percent of the transactions tested during the audit period. We recommend expenditures obtain prior certification; however, when prior certification is not possible, "then and now" certificates should be properly utilized.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. Legally adopted appropriations differed from amounts booked in the Village's ledgers, in the amounts identified below:

**FINDING NUMBER 2003-002
 (Continued)**

Fund	Legally Adopted Appropriations	Appropriations Per Ledgers	Variance
Street Construction, Maintenance, and Repair Fund	\$ 214,920	\$ 219,439	\$ 4,519
Economic Development Fund	216,904	156,165	(60,739)
Fire Levy Fund	492,466	437,220	(55,246)
Water Fund	155,200	131,811	(23,389)
Sanitary Sewer Fund	985,652	650,350	(335,302)
Electric Fund	2,854,675	2,204,521	(650,154)
Cemetery Nonexpendable Trust Fund	67,205	-	(67,205)

By not posting approved appropriations to the Village's financial system, Council is not provided with adequate budgetary information to aid in monitoring the Village's financial position. We recommend that appropriations be monitored to ensure that all Council approved appropriations are entered into the Village financial system.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Revised Code § 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. During 2003, Fire levy real estate taxes (\$30,959), personal property taxes (\$14,095), and rollback and homestead monies (\$9,377) were improperly credited to the General fund. As a result, monies may have been expended for an improper purpose. In order to ensure that all monies are posted to the proper fund, we recommend that the Treasurer periodically review the receipts and revenue ledgers for proper posting. Management corrected this posting error when we brought it to their attention.

FINDING NUMBER 2003-004

Reportable Condition - Estimated Revenue Posting

Estimated resources booked in the Village's ledgers should reflect amounts approved by the County budget commission and Village Council. The Clerk did not enter any estimated resources in the Village's ledgers during 2003. As a result, legally adopted estimated revenue as approved by Village Council did not agree with estimated revenue amounts included in the Village's ledgers. This resulted in inaccurate budgetary reports which could make it difficult for management to make informed decisions regarding whether the Village's actual receipts are sufficient to support apportioned disbursements.

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

**VILLAGE OF PIONEER
WILLIAMS COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Ohio Revised Code § 5705.41(B) Disbursements exceeding appropriations	Yes	
2002-002	Ohio Revised Code § 5705.40 Approved appropriations not posted to the system	No	Not corrected. Reissued as Finding Number 2003-002.
2002-003	Reportable Condition: Estimated Revenue Posting	No	Not corrected. Reissued as Finding Number 2003-004.



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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
JULY 27, 2004**