



**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Council:

We have audited the accompanying financial statements of the Village of Pioneer, Williams County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits 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 and reserves for encumbrances of the Village as of December 31, 1999 and 1998, 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 March 8, 2000 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.

This report is intended solely for the information and use of the finance committee, management, and the 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

March 8, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$306,450	\$25,901	\$0	\$0	\$332,351
Special Assessments			10,247		10,247
Intergovernmental Receipts	128,731	57,615		126,135	312,481
Charges for Services	43,266	17,355			60,621
Fines, Licenses, and Permits	962	344			1,306
Miscellaneous	72,037	70,725		68,787	211,549
<b>Total Cash Receipts</b>	<u>551,446</u>	<u>171,940</u>	<u>10,247</u>	<u>194,922</u>	<u>928,555</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	181,844	5,730			187,574
Public Health Services	6,891	2,495			9,386
Leisure Time Activities	15,737				15,737
Community Environment	13,315	103			13,418
Basic Utility Services	75,907	25			75,932
Transportation	45,741	11,336			57,077
General Government	118,707		36		118,743
Debt Service:					
Principal Payments			18,006		18,006
Interest Payments			13,970		13,970
Capital Outlay	97,752			446,696	544,448
<b>Total Cash Disbursements</b>	<u>555,894</u>	<u>19,689</u>	<u>32,012</u>	<u>446,696</u>	<u>1,054,291</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(4,448)</u>	<u>152,251</u>	<u>(21,765)</u>	<u>(251,774)</u>	<u>(125,736)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Loan Proceeds				122,787	122,787
Transfers-In			22,350	22,029	44,379
Transfers-Out	(44,379)				(44,379)
Advances-Out	(5,000)				(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(49,379)</u>	<u>0</u>	<u>22,350</u>	<u>144,816</u>	<u>117,787</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(53,827)</u>	<u>152,251</u>	<u>585</u>	<u>(106,958)</u>	<u>(7,949)</u>
Fund Cash Balances January 1	126,682	60,740	17,708	122,484	327,614
<b>Fund Cash Balances, December 31</b>	<u><b>\$72,855</b></u>	<u><b>\$212,991</b></u>	<u><b>\$18,293</b></u>	<u><b>\$15,526</b></u>	<u><b>\$319,665</b></u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**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, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,369,732	\$2,619	\$2,372,351
Miscellaneous	124,942	750	125,692
Total Operating Cash Receipts	<u>2,494,674</u>	<u>3,369</u>	<u>2,498,043</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	245,641		245,641
Fringe Benefits	3,288		3,288
Contractual Services	1,468,884		1,468,884
Supplies and Materials	188,044		188,044
Capital Outlay	155,809	3,000	158,809
Total Operating Cash Disbursements	<u>2,061,666</u>	<u>3,000</u>	<u>2,064,666</u>
Operating Income	<u>433,008</u>	<u>369</u>	<u>433,377</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	<u>9,779</u>		<u>9,779</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	266,578		266,578
Other Non-Operating Cash Disbursements	<u>9,654</u>		<u>9,654</u>
Total Non-Operating Cash Disbursements	<u>276,232</u>	<u>0</u>	<u>276,232</u>
Excess of Receipts Over Disbursements Before Interfund Advances	166,555	369	166,924
Advances-In	<u>5,000</u>		<u>5,000</u>
Net Receipts Over Disbursements	171,555	369	171,924
Fund Cash Balances, January 1	<u>556,431</u>	<u>53,532</u>	<u>609,963</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$727,986</u></b>	<b><u>\$53,901</u></b>	<b><u>\$781,887</u></b>
Reserve for Encumbrances, December 31	<u>\$219,221</u>	<u>\$0</u>	<u>\$219,221</u>

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



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$283,006	\$26,738	0	0	\$309,744
Special Assessments			5,183		5,183
Intergovernmental Receipts	87,932	69,947		99,057	256,936
Charges for Services	29,722	20,249			49,971
Fines, Licenses, and Permits	2,895	364			3,259
Miscellaneous	<u>147,737</u>	<u>65,444</u>			<u>213,181</u>
Total Cash Receipts	<u>551,292</u>	<u>182,742</u>	<u>5,183</u>	<u>99,057</u>	<u>838,274</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	137,878	21,181			159,059
Public Health Services	6,150	3,618			9,768
Leisure Time Activities	15,820				15,820
Community Environment	11,278	30,524			41,802
Basic Utility Services	60,793	10,338			71,131
Transportation	35,980	30,783			66,763
General Government	134,012		43		134,055
Debt Service:					
Principal Payments			17,385		17,385
Interest Payments			14,701		14,701
Capital Outlay	<u>129,641</u>	<u>226,112</u>		<u>270,456</u>	<u>626,209</u>
Total Cash Disbursements	<u>531,552</u>	<u>322,556</u>	<u>32,129</u>	<u>270,456</u>	<u>1,156,693</u>
Total Receipts Over/(Under) Disbursements	<u>19,740</u>	<u>(139,814)</u>	<u>(26,946)</u>	<u>(171,399)</u>	<u>(318,419)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Loan Proceeds				114,000	114,000
Transfers-In			24,717	179,883	204,600
Transfers-Out	<u>(24,717)</u>				<u>(24,717)</u>
Total Other Financing Receipts/(Disbursements)	<u>(24,717)</u>	<u>0</u>	<u>24,717</u>	<u>293,883</u>	<u>293,883</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,977)	(139,814)	(2,229)	122,484	(24,536)
Fund Cash Balances January 1	<u>131,659</u>	<u>200,554</u>	<u>19,937</u>	<u>0</u>	<u>352,150</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$126,682</u></b>	<b><u>\$60,740</u></b>	<b><u>\$17,708</u></b>	<b><u>\$122,484</u></b>	<b><u>\$327,614</u></b>
Reserves for Encumbrances, December 31	<u>\$16,675</u>	<u>\$0</u>	<u>\$0</u>	<u>\$106,798</u>	<u>\$123,473</u>

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

**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, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,119,212	\$3,063	\$2,122,275
Miscellaneous	93,517	800	94,317
Total Operating Cash Receipts	<u>2,212,729</u>	<u>3,863</u>	<u>2,216,592</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	214,254		214,254
Fringe Benefits	3,780		3,780
Contractual Services	1,406,022		1,406,022
Supplies and Materials	154,506	8,050	162,556
Capital Outlay	1,547,753		1,547,753
Total Operating Cash Disbursements	<u>3,326,315</u>	<u>8,050</u>	<u>3,334,365</u>
Operating Loss	<u>(1,113,586)</u>	<u>(4,187)</u>	<u>(1,117,773)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	10,050		10,050
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	393,365		393,365
Other Non-Operating Cash Disbursements	7,291		7,291
Total Non-Operating Cash Disbursements	<u>400,656</u>	<u>0</u>	<u>400,656</u>
Deficiency of Receipts Under Disbursements Before Interfund Transfers	(1,504,192)	(4,187)	(1,508,379)
Transfers-Out	<u>(179,883)</u>		<u>(179,883)</u>
Net Receipts Under Disbursements	(1,684,075)	(4,187)	(1,688,262)
Fund Cash Balances, January 1	<u>2,240,506</u>	<u>57,719</u>	<u>2,298,225</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$556,431</u></b>	<b><u>\$53,532</u></b>	<b><u>\$609,963</u></b>
Reserve for Encumbrances, December 31	<u>\$17,280</u>	<u>\$0</u>	<u>\$17,280</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**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 electric, 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 Funds:

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(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.

Economic Development Fund - This fund maintains the accounting for the Village's local economic development program, which makes monies available to local businesses in form of loans in order to stimulate economic growth. Revenues include repayments of loan proceeds and interest.

Cemetery Fund - The fund receives charges from the sale of lots and grave opening at the Village cemetery. These amounts are used for cemetery operation and maintenance.

**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 projects fund:

Lynn 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 street within the Village (Lynn Street).

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

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

**D. Fund Accounting (Continued)**

**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 the both the principal of trust and interest earned from the principal. Interest earnings can be used for perpetual care of the Village cemetery.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
(Continued)

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

**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:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 347,943	\$ 193,847
Certificates of deposit	<u>551,174</u>	<u>551,174</u>
Total deposits	<u>899,117</u>	<u>745,021</u>
 STAR Ohio	 <u>202,435</u>	 <u>192,556</u>
Total deposits and investments	<u>\$ 1,101,552</u>	<u>\$ 937,577</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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 724,267	\$ 551,446	\$ (172,821)
Special Revenue	132,300	171,940	39,640
Debt Service	52,350	32,597	(19,753)
Capital Projects	367,980	339,738	(28,242)
Enterprise	2,642,000	2,504,453	(137,547)
Fiduciary	<u>4,000</u>	<u>3,369</u>	<u>(631)</u>
Total	<u>\$ 3,922,897</u>	<u>\$ 3,603,543</u>	<u>\$ (319,354)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 789,748	\$ 600,273	\$ 189,475
Special Revenue	208,039	19,689	188,350
Debt Service	70,059	32,012	38,047
Capital Projects	490,464	446,696	43,768
Enterprise	3,260,362	2,557,119	703,243
Fiduciary	57,533	3,000	54,533
Total	<u>\$ 4,876,205</u>	<u>\$ 3,658,789</u>	<u>\$ 1,217,416</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 490,000	\$ 551,292	\$ 61,292
Special Revenue	185,700	182,742	(2,958)
Debt Service	30,000	29,900	(100)
Capital Projects	293,883	392,940	99,057
Enterprise	2,263,617	2,222,779	(40,838)
Fiduciary	2,500	3,863	1,363
Total	<u>\$ 3,265,700</u>	<u>\$ 3,383,516</u>	<u>\$ 117,816</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 622,129	\$ 572,944	\$ 49,185
Special Revenue	386,254	322,556	63,698
Debt Service	49,937	32,129	17,808
Capital Projects	293,883	377,254	(83,371)
Enterprise	4,502,803	3,924,134	578,669
Fiduciary	59,748	8,050	51,698
Total	<u>\$ 5,914,754</u>	<u>\$ 5,237,067</u>	<u>\$ 677,687</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(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 payment, 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. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 703,879	0 - 4%
Federal Home Administration Loan	561,000	5%
Promissory Notes	180,586	5 - 5.4%
Total	\$ 1,445,465	

The Ohio Public Works Commission (OPWC) loan relates to improvements made to the water treatment plant, streets and storm sewers. The loans will be repaid in semiannual installments. The annual requirements range from \$59,185, to \$6,139 over 20 years.

The Federal Home Administration (FHA) loan relates to a sanitary sewer improvement. The loan will be repaid in varying annual installments ranging from a payment of \$47,550 in 1996 to \$48,300 in 2017, including interest, over 20 years.

The Promissory Notes relate to projects for water and street improvements. The loans will be repaid in semiannual interest payments and an annual principal payments of \$36,800. Both are 10 year notes.



**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**5. DEBT (Continued)**

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

Year ending December 31:	OPWC Loan	Farmers Home Administration Loan	Promissory Notes
2000	\$ 59,185	\$ 48,050	\$ 45,490
2001	59,185	48,050	43,580
2002	59,185	48,000	41,684
2003	59,185	47,900	39,790
2004	59,185	47,750	26,493
Subsequent	599,385	624,250	8,202
Total	<u>\$ 895,310</u>	<u>\$ 864,000</u>	<u>\$ 205,239</u>

**6. ELECTRIC SYSTEM NOTE**

The Village has a Electric System Improvement Bond Anticipation Notes with American Municipal Power-Ohio Inc (AMP-Ohio) for \$2,200,000. On the maturity date of the Notes, which is expected to be in November 2000, the Village will pay AMP-Ohio (from the revenues of the System) all interest due on the Notes plus up to \$125,000 of principal, and AMP-Ohio will use its best efforts to refinance the remaining principal of the Notes. If AMP-Ohio is unable to refinance the Notes, it shall give the Village thirty (30) days' notice of such inability, and the Village shall pay to AMP-Ohio all amounts necessary to retire the 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 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 6, 2000. In the event that any installment shall become overdue for a period in excess of ten (10) days from the due date. Or in the event of a default, then this loan shall bear interest at the rate per annum equal to 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 Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. 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 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**9. COMPLIANCE**

Certain compliance issues were noted relating to interest apportionment, incorrect fund allocation of gas tax and permissive motor vehicle license registration fees, unrecorded Issue II/Local Transportation Improvement Program monies, certification to the county auditor of an incorrect encumbered fund balance for a non expendable trust fund and incomplete recognition of estimated receipts and disbursements.



STATE OF OHIO  
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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  
PO Box 335  
Pioneer, Ohio 43554-0335

To the Council:

We have audited the accompanying financial statements of the Village of Pioneer, Williams County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 8, 2000. We conducted our audits in accordance with generally accepted auditing standards 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 audits 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: 1999-30186-001, 1999-30186-002, 1999-30186-003, 1999-30186-004, 1999-30186-005, 1999-30186-006 and 1999-30186-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 8, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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 judgement, 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 conditions are described in the accompanying schedule of findings as items 1999-30186-008 and 1999-30186-009.

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 material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control 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 March 8, 2000.

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

**Jim Petro**  
Auditor of State

March 8, 2000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-30186-001**

**Noncompliance Citation**

Ohio Revised Code § 135.21 requires all interest earned by a subdivision to be credited, with certain exceptions, to the General fund. In fiscal year 1998, the Village credited STAR Ohio interest earnings to the Electric fund.

There are no applicable exceptions which allow these amounts to be credited to a fund other than the General fund. As a result, General fund revenues were understated and Electric fund revenues were overstated by \$61,931. Adjustments were made to the financial statements to correctly reflect the activity. We recommend that the Village review this code section and credit interest earnings accordingly.

**FINDING NUMBER 1999-30186-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 provides that money paid into any fund shall be used only for the purposes for which such fund is established.

In 1999, certain gas tax monies (\$4,483) and permissive motor vehicle license registration fees (\$527) received from the State went to the General Fund. The gas tax monies should have been allocated to the Street Construction, Maintenance and Repair Fund (\$4,147) and the State Highway Improvement Fund (\$336). The permissive motor vehicle license registration fees should be credited to the Motor Vehicle License Fund.

Adjustments were subsequently made to the financial statement to correct these differences. We recommend the Village review remittance slips, which accompany payments received from the State, to ensure proper fund allocation.

**FINDING NUMBER 1999-30186-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.131 requires the principal of a nonexpendable trust fund, and any additions to principal arising from sources other than the reinvestment of investment earnings arising from the fund, shall not be considered part of the unencumbered balance or revenue of the subdivision under division (A) of § 5705.35 or division (A)(1) of § 5705.36 of the Revised Code. Only investment earnings arising from investment of the principal or investment of such additions to principal may be considered an unencumbered balance or revenue of the subdivision under that division.

The Village has a nonexpendable trust fund, (cemetery trust fund). The principal of this trust (\$51,174) was included in the unencumbered balance certified to the County Auditor on the "Certificate of the Total Amount from all Sources Available for Expenditures, and Balances". These amounts are not available expenditure and should not be included in the annual appropriation amounts.

We recommend that the Clerk-Treasurer not include principal amounts of the cemetery trust fund in the encumbered fund balances and appropriation amounts.

**FINDING NUMBER 1999-30186-004**

**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. Otherwise, the contract shall be null and void.

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 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, 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/Treasurer did not make the proper certification of funds for seventeen percent of the expenditures tested during the audit period. We recommend that the Clerk/Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "blanket" or "then and now" certificates.

Also, this code section states blanket certificates cannot be issued for periods exceeding three months. Five expenditures tested during the audit period were charged against blanket certificates that exceeded the three month limitation. We recommend the Clerk/Treasurer issue blanket certifications for expenditures for periods of three months or less.

**FINDING NUMBER 1999-30186-005**

**Noncompliance Citation**

Ohio Revised Code § 5705.42 states that when the United States government or 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 subdivision, 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.

In 1998, Issue II/Local Transportation Improvement Program funds in the amount of \$99,057 were sent by the Ohio Public Works Commission (OPWC) directly to a contractor on behalf of the Village for the Lynn Street reconstruction project. This activity was not reported on the Village's financial statements, which understated receipts and disbursements in the Capital Projects Fund Type. An adjustment was subsequently made to the financial statement to report this activity.

**FINDING NUMBER 1999-30186-005**  
**(Continued)**

We recommend the Village comply with Auditor of State Bulletin 97-012 and contact OPWC to obtain the amount of Issue II/Local Transportation Improvement Program funds designated to the Village. These amounts should be budgeted and posted to the Village books.

**FINDING NUMBER 1999-30186-006**

**Noncompliance Citation**

Ohio Administrative Code § 117-5-10 states each village shall maintain a receipts ledger which shall contain a separate sheet for each account established by the village. The Village shall post 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 1999, no estimated revenue amounts were posted to the revenue history reports (the receipts ledger). In 1998, estimated revenues on the revenue history reports in three of seventeen funds did not agree with the Amended Certificates approved by Council and filed with the County Auditor.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position.

We recommend the taxes revenue and total other sources revenue amounts posted to the revenue history reports should be reconciled with the taxes revenue and total other sources revenue amounts officially approved on the Amended Certificates of Estimated Resources.

**FINDING NUMBER 1999-30186-007**

**Noncompliance Citation**

Ohio Administrative Code § 117-5-11 states each village shall maintain an appropriation ledger which shall contain a separate sheet for each account established. Each village shall 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 amounts estimated per the Appropriations Resolutions for seven funds in 1999 and four funds in 1998.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position.

We recommend the budgeted expenditures posted to the budget reports reflect the amounts originally approved on the Appropriations Resolutions and any modifications or supplements approved by the Council in the minutes.

**FINDING NUMBER 1999-30186-008**

**Reportable Condition - Income Tax Records**

Sound income tax accounting procedures include account records for each taxpayer (individual, business or employer quarterly withholding). These records should contain payments made and the amount of tax liability for account.

The Village has individual, business, and employer quarterly withholding account records. These records are not up to date. Several payments and annual returns filed with the Village were not posted in the account records. The status of payments and return filings will be difficult to determine when these accounts are not used as intended.

We recommend that the Village post all income tax payments received and returns filed to the account cards. In the future, all income tax activity should be recognized on the account cards in a more timely manner. The Village may want to consider computerizing the income tax cycle.

**FINDING NUMBER 1999-30186-009**

**Reportable Condition - Encumbrances**

All encumbrances are to be charged against line-item appropriation accounts with the Village's accounting system producing declining unencumbered balances. These balances are to be used by management when considering anticipated expenditures.

The Village did not record certain encumbrances into the accounting system. This weakness has resulted in unencumbered balances being overstated and budgeted expenditures being understated by \$219,220 at December 31, 1999 within the Enterprise fund type. The encumbrances omitted from the accounting system have been adjusted onto the accompanying financial statements. We recommend the Clerk-Treasurer record all encumbrances to line-item appropriation accounts at the point when a contract is entered into or when orders for goods or services are placed by Village officials or employees.





STATE OF OHIO  
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  
MARCH 30, 2000**