



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

---

**STATE OF OHIO**



VILLAGE OF PIONEER  
WILLIAMS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001 .....	3
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, 2001 .....	4
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings .....	21

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## 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 (the Village) as of and for the year ended December 31, 2001. 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, 2001, 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 June 21, 2002, 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 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

June 21, 2002

**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, 2001**

	<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	\$389,296				\$389,296
Special Assessments			\$15,118		15,118
Intergovernmental Receipts	94,193	\$49,007		\$17,019	160,219
Charges for Services	68,166	18,054			86,220
Fines, Licenses, and Permits	1,772	260			2,032
Miscellaneous	78,631	70,698			149,329
	<u>632,058</u>	<u>138,019</u>	<u>15,118</u>	<u>17,019</u>	<u>802,214</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	224,336	9,079			233,415
Public Health Services	8,191	7,243			15,434
Leisure Time Activities	14,570				14,570
Community Environment	14,630				14,630
Basic Utility Services	23,004				23,004
Transportation	48,176	11,982			60,158
General Government	121,970				121,970
Debt Service:					
Principal Payments		35,833	3,800		39,633
Interest Payments		12,540	6,524		19,064
Capital Outlay	41,676	166,090		1,259	209,025
	<u>496,553</u>	<u>242,767</u>	<u>10,324</u>	<u>1,259</u>	<u>750,903</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>135,505</u>	<u>(104,748)</u>	<u>4,794</u>	<u>15,760</u>	<u>51,311</u>
<b>Other Financing Disbursements:</b>					
Transfers-Out	(43,762)				(43,762)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	91,743	(104,748)	4,794	15,760	7,549
Fund Cash Balances, January 1	10,868	216,450	10,805	3,868	241,991
<b>Fund Cash Balances, December 31</b>	<b><u>\$102,611</u></b>	<b><u>\$111,702</u></b>	<b><u>\$15,599</u></b>	<b><u>\$19,628</u></b>	<b><u>\$249,540</u></b>

*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, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,166,561		\$2,166,561
Miscellaneous	378,891	\$3,315	382,206
Total Operating Cash Receipts	<u>2,545,452</u>	<u>3,315</u>	<u>2,548,767</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	247,562		247,562
Fringe Benefits	4,660		4,660
Contractual Services	1,266,157		1,266,157
Supplies and Materials	1,021,222		1,021,222
Capital Outlay	145,188		145,188
Total Operating Cash Disbursements	<u>2,684,789</u>		<u>2,684,789</u>
Operating Income/(Loss)	<u>(139,337)</u>	<u>3,315</u>	<u>(136,022)</u>
<b>Non-Operating Cash Receipts:</b>			
Proceeds from Notes and Bonds	2,600,000		2,600,000
Other Non-Operating Receipts	7,950		7,950
Total Non-Operating Cash Receipts	<u>2,607,950</u>		<u>2,607,950</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	2,974,707		2,974,707
Other Non-Operating Cash Disbursements	8,968		8,968
Total Non-Operating Cash Disbursements	<u>2,983,675</u>		<u>2,983,675</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(515,062)	3,315	(511,747)
Transfers-In	43,762		43,762
Net Receipts Over/(Under) Disbursements	(471,300)	3,315	(467,985)
Fund Cash Balances, January 1	<u>1,360,506</u>	<u>58,368</u>	<u>1,418,874</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$889,206</u></b>	<b><u>\$61,683</u></b>	<b><u>\$950,889</u></b>

*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, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Pioneer (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 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**

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.

**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:

*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 receives revolving loan repayments to be used for economic development within the Village.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. Debt Service Funds**

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. 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 intergovernmental revenue for the purpose of reconstruction Village streets.

**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* - 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, 2001  
(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 2001 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:

	2001
Demand deposits	<u>\$424,920</u>
Certificates of deposit	<u>551,174</u>
Total deposits	<u>976,094</u>
STAR Ohio	<u>224,335</u>
Total deposits and investments	<u><u>\$1,200,429</u></u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or 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.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$555,300	\$632,058	\$76,758
Special Revenue	152,200	138,019	(14,181)
Debt Service	7,700	15,118	7,418
Capital Projects	12,854	17,019	4,165
Enterprise	2,859,000	5,197,164	2,338,164
Fiduciary	4,000	3,315	(685)
Total	\$3,591,054	\$6,002,693	\$2,411,639

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$585,148	\$540,315	\$44,833
Special Revenue	368,650	242,767	125,883
Debt Service	18,505	10,324	8,181
Capital Projects	16,723	1,259	15,464
Enterprise	4,200,526	5,668,464	(1,467,938)
Fiduciary	4,000		4,000
Total	\$5,193,552	\$6,463,129	(\$1,269,577)

**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, 2001  
(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, 2001, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$727,639	0% - 4%
USDA Loan	520,000	5.00%
Promissory Notes	124,393	5% - 5.4%
Bond Anticipation Notes	2,600,000	2.40%
Total	<u>\$3,972,032</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 United States Department of Agriculture (USDA) loan relates to sanitary sewer improvements. The loan was refinanced with bond anticipation notes on May 29, 2002.

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 Bond Anticipation Notes are with American Municipal Power-Ohio, Inc. (AMP-Ohio) and relate to improvements in the Village's electric system. On the maturity date of the notes in November 2002, the Village will pay AMP-Ohio from revenues of its electric system all interest due on the notes, plus an amount of principal as determined by the Village.

If AMP-Ohio is unable to refinance the notes, it shall give the Village 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 who monitors monthly utility rates to ensure that revenues are sufficient to cover operation costs, including debt service.

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

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

<u>Year ending December 31:</u>	<u>OPWC Loans</u>	<u>USDA Loan</u>	<u>Promissory Notes</u>
2002	\$69,660	\$48,000	\$33,127
2003	69,646	47,900	41,121
2004	69,631	47,750	39,224
2005	69,615	47,550	14,809
2006	69,599	48,300	8,202
2007 – 2020	533,709	528,400	
Total	<u>\$881,860</u>	<u>\$767,900</u>	<u>\$136,483</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 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participants' wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001. The Village has paid all contributions required through December 31, 2001.

**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, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, 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 vary from member to member.

**9. COMPLIANCE**

The Village did not file a copy of legislation authorizing the issuance of \$2,600,000 in bond anticipation notes with the County Auditor, contrary to Ohio Revised Code § 133.22. Further, the Village did not amend its certificate of estimated resources upon receiving and expending the note proceeds, contrary to Ohio Revised Code § 5705.36.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

Four of the Village's funds had negative fund balances at various times during 2001. Further, a payment of \$3,070 for storm sewer construction debt was paid from the Water Fund, contrary to Ohio Revised Code § 5705.10.

The Village did not complete and file the required *Certificate of the Total Amount From All Sources Available for Expenditures, and Balances* until October 2, 2001, contrary to Ohio Revised Code § 5705.36.

The Village's annual appropriation measure was not approved by Council and filed with the County Auditor until October 16, 2001, contrary to Ohio Revised Code § 5705.38.

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

Expenditures exceeded appropriations in the Street Debt Service Fund, the Water Fund and the Electric Fund, contrary to Ohio Revised Code § 5705.41(B).

Expenditures were not all certified at the time the commitment was incurred, contrary to Ohio Revised Code § 5705.41(D).

**10. SUBSEQUENT EVENTS**

On March 11, 2002, the Village issued bond anticipation notes in the amount of \$425,000 for the purchase of two fire trucks.

On May 29, 2002, the Village issued bond anticipation notes in the amount of \$450,000 for the purpose of refunding bonds originally issued to construct improvements to the Village wastewater system.

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

**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 financial statements of the Village of Pioneer (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated June 21, 2002. 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 2001-30186-001 through 2001-30186-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 21, 2002.

**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. Reportable conditions are described in the accompanying schedule of findings as items 2001-30186-008, 2001-30186-009, and 2001-30186-010.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-30186-008 to be a material weakness. 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 June 21, 2002.

This report is intended for the information and use of 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, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

June 21, 2002

VILLAGE OF PIONEER  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001

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

**FINDING NUMBER 2001-30186-001**

**Noncompliance Citation**

Ohio Revised Code §133.22 requires the fiscal officer of a subdivision to file a copy of legislation authorizing the issuance of anticipatory securities with the County Auditor. Further, Ohio Revised Code § 5705.36 requires that upon a determination by the fiscal officer that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate, and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the County Budget Commission, and if the Commission determines that the fiscal officer's certification is reasonable, the Commission shall certify an amended official certificate reflecting the excess.

During 2001, the Village renewed bond anticipation notes in the amount of \$2,600,000. Legislation regarding the debt issuance was not filed with the County Auditor. Further, the Clerk did not obtain an increased amended certificate of estimated resources for the unexpected note proceeds. Failure to increase estimated resources for unexpected resources which are appropriated and expended may result in deficit spending. We recommend that Village Council amend its certificate of estimated resources and appropriations for all future debt rollover activity.

**FINDING NUMBER 2001-30186-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover expenses of another fund. During 2001, four funds had negative fund balances for periods ranging from 6 to 51 weeks. The negative balances during these periods of time were as much as the following amounts:

<b>Fund Name</b>	<b>Negative Balance</b>
General Fund	\$70,619
Street Construction, Maintenance, and Repair Fund	20,464
Street Debt Service Fund	38,879
Water Fund	23,606

In addition, during 2001, a payment of \$3,070 for storm sewer construction debt was paid from the Water Fund. This disbursement is inconsistent with the legally restricted purpose of the Water Fund. The accompanying financial statements have been adjusted to correctly retire the debt from the Sewer Fund. The Village has posted this adjustment to its accounting records.

**FINDING NUMBER 2001-30186-002  
(Continued)**

Allowing negative fund balances and improperly reporting disbursement activity in the Village's funds could cause management to draw incorrect conclusions regarding the Village's fiscal position. It may also allow legally restricted revenues to be spent on unallowable items or services. We recommend that Village Council review disbursement transactions to ensure they are being posted to appropriate funds. Further, the Village should implement procedures to make sure funds are available to cover the Village's obligations throughout the year.

**FINDING NUMBER 2001-30186-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget. The amount certified shall include any unencumbered balances that existed at the end of the preceding year. The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Village did not complete and file the required *Certificate of the Total Amount From All Sources Available for Expenditures, and Balances* for calendar year 2001 until October 2, 2001. As a result, the budget commission was unable to prepare and certify to the Village an amended official certificate of estimated resources in a timely manner. Not preparing and filing these official documents in a timely manner makes it difficult for Village officials to estimate how much will be available for expenditure during any given year. We recommend that this required budgetary document be prepared by the Clerk, approved by Council in the minute record, and filed with the County auditor prior to the required deadline every year.

**FINDING NUMBER 2001-30186-004**

**Noncompliance Citation**

Ohio Revised Code § 5705.38 requires an appropriation measure to be passed on or about the first day of each fiscal year. The Village's annual appropriation measure for calendar year 2001 was not approved by Council and filed with the County Auditor until October 16, 2001. Lack of timely adoption of annual appropriations may allow the Village to make expenditures in excess of amounts intended by Council. Further, it does not allow Council to adequately monitor budgeted versus actual disbursements. We recommend that this required budgetary document be prepared by the Clerk, approved by Council in the minute record, and filed with the County auditor prior to the required deadline every year.

**FINDING NUMBER 2001-30186-005**

**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 at year end, in the amounts identified below:

**FINDING NUMBER 2001-30186-005  
 (Continued)**

<b>Fund</b>	<b>Legally Adopted Appropriations</b>	<b>Appropriations Per Ledgers</b>	<b>Variance</b>
General Fund	\$585,148	\$565,640	(\$19,508)
Street Construction, Maintenance, and Repair Fund	38,604	17,046	(21,558)
State Highway Fund	11,537		(11,537)
Cemetery Fund	30,148	17,159	(12,989)
DUI Law Enforcement Fund	714		(714)
Drug Law Enforcement Fund	554		(554)
Economic Development Fund	273,485		(273,485)
MVL Tax Fund	13,608		(13,608)
Street Debt Service Fund	2,906		(2,906)
Municipal Building Debt Service Fund	15,599		(15,599)
Lynn Street Capital Projects Fund	15,464		(15,464)
Clark Street Reconstruction Fund	1,259		(1,259)
Water Fund	138,556	171,853	33,297
Sewer Fund	415,154	144,310	(270,844)
Electric Fund	3,562,438	2,756,878	(805,560)
Debt Service Reserve Fund	48,000		(48,000)
Utility Deposits Fund	36,379	6,893	(29,486)
Cemetery Trust Fund	4,000	1,000	(3,000)

Lack of Council approval for amendments to annual appropriations may allow the Village to make expenditures in excess of amounts intended by Council. Further, it does not allow Council or the Clerk to adequately monitor budgeted versus actual disbursements. We recommend that the Clerk only make amendments to the appropriations ledger based on formally documented approval of Village Council.

**FINDING NUMBER 2001-30186-006**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds by the following amounts:

**FINDING NUMBER 2001-30186-006  
 (Continued)**

<b>Fund</b>	<b>Appropriation Authority</b>	<b>Actual Disbursements</b>	<b>Variance</b>
Street Debt Service Fund	\$2,906	\$10,324	\$7,418
Water Fund	138,556	183,866	45,310
Electric Fund	3,562,438	5,276,321	1,713,883

Expenditures in excess of appropriations may result in deficit spending. We recommend that expenditures and appropriations be frequently reviewed by Council and the necessary adjustments be made to prevent expenditures from exceeding appropriations. These adjustments should be formally approved by Village Council in the minutes and the Clerk should only make amendments to the computerized appropriations ledger based on these formally documented approvals.

**FINDING NUMBER 2001-30186-007**

**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.

Seventeen percent of the transactions tested were not certified at the time the commitment was incurred. None of these commitments were subsequently approved as “then and now” certificates.

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 2001-30186-008**

**Material Weakness - Monitoring Financial Activity**

Sound accounting practices require regular and thorough monitoring of the Village's financial activity by management. This ensures that financial data is accurately presented and helps to ensure that resources are being efficiently and effectively utilized. A key aspect of this monitoring process is continuing adherence to the budget limits established by Village Council.

Council's review of Village finances was limited to a monthly fund balance report and a list of checks written in the previous month. Reviews such as these do not allow Council to adequately monitor the Village's financial position.

We recommend that the clerk provide Council with monthly financial reports which include at least the following information: 1) month-to-date and year-to-date receipt and disbursement totals, 2) budget vs. actual receipts and disbursements at the legal level of control, 3) the balance in each individual fund, and 4) the monthly bank reconciliation. Reports such as these can be generated utilizing the Village's computerized accounting system. Council should use the reports as a tool to monitor the Village's financial situation and adapt budgets in anticipation of changing circumstances. This review is vital to ensure a stable financial condition.

**FINDING NUMBER 2001-30186-009**

**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 2001. 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 could result in deficit spending. 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.

**FINDING NUMBER 2001-30186-010**

**Reportable Condition - Debt Activity**

Sound accounting practices require full and accurate disclosure of any debt activity the Village elects to participate in. Lack of complete disclosure of debt activity in the financial report of the Village impedes the ability of Council to accurately assess the financial status of the Village.

- Debt payments made from the Economic Development Fund in the amount of \$48,373 were originally posted as Capital Outlay, rather than Debt Service expenditures.
- The proceeds and retirement of a \$2,600,000 note renewal in the Electric Fund was not booked on the Village's financial statements.
- A payment in the amount of \$3,070 for storm sewer debt was retired from the Water Fund.

**FINDING NUMBER 2001-30186-010**  
**(Continued)**

As a result, the Village's financial statements did not accurately reflect the debt activity of the Village. The accompanying financial statements have been adjusted to accurately reflect all of the Village's debt activity.

We recommend that all debt proceeds and payments be included in the line items established by the Village's financial software package for such purposes, that proceeds and payment of note renewals be booked by the Clerk, and that the debt be repaid by the fund which received the proceeds.

**VILLAGE OF PIONEER  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-30186-001	Ohio Revised Code § 5705.41(D) – Prior certification of expenditures	No	Partially corrected – Significant improvement noted from prior year. Reissued as finding number 2001-30186-007.
2000-30186-002	Ohio Revised Code § 5705.42 – Failure to book “on behalf of” grant activity	No	We reported this finding in the management letter.
2000-30186-003	Ohio Administrative Code § 117-5-10 – Posting of estimated revenue	N/A	Finding no longer valid due to changes in the law.
2000-30186-004	Ohio Revised Code § 5705.10 – Negative fund balances	No	Not corrected – Reissued as finding 2001-30186-002.
2000-30186-005	Ohio Revised Code § 5705.38 – Failure to adopt permanent appropriation measure	No	Partially corrected – Permanent appropriation measure adopted late. Reissued as finding 2001-30186-004.
2000-30186-006	Ohio Administrative Code § 117-5-11 – Maintaining an appropriation ledger.	N/A	Finding no longer valid due to changes in the law.
2000-30186-007	Ohio Revised Code §§ 133.22 and 5705.36 – Failure to notify County auditor of issuance of notes and amend certificate of estimated resources	No	Not corrected – Reissued as finding 2001-30186-001.
2000-30186-008	Recommendation that sound budgetary procedures be followed	No	Partially corrected – Reissued as finding 2001-30186-008.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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 16, 2002**