



Dave Yost • Auditor of State



VILLAGE OF PANDORA  
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	9
Statement of Activities – Cash Basis.....	10
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds.....	11
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis - Governmental Funds.....	12
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund.....	13
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis – Street Construction Maintenance and Repair Fund.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis – State Highway Fund.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis – Park Fund.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis – Permissive Tax Fund.....	17
Statement of Fund Net Assets – Cash Basis - Proprietary Funds.....	18
Statement of Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis – Proprietary Funds.....	19
Notes to the Basic Financial Statements.....	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	37
Schedule of Findings.....	39
Schedule of Prior Audit Findings.....	41

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Pandora  
Putnam County  
P.O. Box 193  
Pandora, Ohio 45877-0193

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pandora, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pandora, Putnam County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Street Construction Maintenance and Repair, State Highway, Park, and Permissive Tax Funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



**Dave Yost**  
Auditor of State

November 27, 2012

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED**

This discussion and analysis of the Village of Pandora, Putnam County, Ohio (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2011 are as follows:

- Net assets of governmental activities decreased by \$223,314, a significant change from the prior year. This is due to a significant decrease in expenses of \$326,251. Even though the revenue decreased by \$616,626, the decrease in expenditures compensated for this decrease. Thus, the total revenue and balances were able to cover the costs, but the final balances are significantly low to cover expenses for at least the first three months in 2012.
- Net assets decreased in the business-type activities by \$4,466 for 2011. The reason for this decrease is due primarily to the fact the final payment on Phase IV-Sewer Separation Project of \$5,545 was paid from the Sewer Fund.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Reporting the Village as a Whole**

The annual report includes all activities for which the Village is fiscally responsible. These activities defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has three business-type activities. One is for the provision of water, the second one is for the provision of removing wastewater and the third is for providing a community center, with the primary use being recreation as an additional facility for school activities. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statement in separate columns. The information for non-major funds (funds whose activity or balances are

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are: General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund, Park Fund, Permissive Tax Fund, Income Tax Fund, and the CDBG Handicap Parking Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds consisting of the Water Fund, Sewer Fund, and the Community Center Fund.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Cash and Cash Equivalents	<u>\$112,285</u>	<u>\$335,599</u>	<u>\$347,967</u>	<u>\$352,435</u>	<u>\$460,252</u>	<u>\$688,034</u>
<b>Net Assets</b>						
Restricted for:						
Capital Outlay	53,186	156,721			53,186	156,721
Other Purposes	25,960	31,512			25,960	31,512
Unrestricted	<u>33,139</u>	<u>147,366</u>	<u>347,967</u>	<u>352,435</u>	<u>381,106</u>	<u>499,801</u>
Total Net Assets	<u>\$112,285</u>	<u>\$335,599</u>	<u>\$347,967</u>	<u>\$352,435</u>	<u>\$460,252</u>	<u>\$688,034</u>

As mentioned previously, net assets of governmental activities decreased by \$223,314. The net assets in business-type activities decreased by \$4,466. The primary reasons for contributing to the increases are as follows:

- Even though expenditures decreased \$326,251 in governmental activities, net assets still experienced a decrease of \$223,314. Thus, the total revenue was not able to cover the costs.
- The decrease of \$4,466 in the business-type activity funds is due to the fact the final payment was made on Phase IV-Sewer Separation Project of \$5,545.

Table 2 reflects the changes in net assets in years 2011 and 2010 on a cash basis:

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010	Business Type Activities 2011	Business Type Activities 2010	Total 2011	Total 2010
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$22,454	\$21,959	\$358,837	\$356,560	\$381,291	\$378,519
Operating Grants and Contributions	59,165	60,466			59,165	60,466
Capital Grants and Contributions	16,400				16,400	
<b>Total Program Receipts</b>	<b>98,019</b>	<b>82,425</b>	<b>358,837</b>	<b>356,560</b>	<b>456,856</b>	<b>438,985</b>
General Receipts:						
Property and Other Local Taxes	42,788	32,348			42,788	32,348
Income Taxes	332,920	327,660			332,920	327,660
Grants and Entitlements Not Restricted to Specific Programs	82,465	191,592			82,465	191,592
Cable Franchise Fees	5,130	4,930			5,130	4,930
Gifts and Contributions		1,587				1,587
Interest	4,568	6,543			4,568	6,543
Loan Proceeds		546,346				546,346
Miscellaneous	12,975	2,060			12,975	2,060
<b>Total General Receipts</b>	<b>480,846</b>	<b>1,113,066</b>			<b>480,846</b>	<b>1,113,066</b>
<b>Total Receipts</b>	<b>578,865</b>	<b>1,195,491</b>	<b>358,837</b>	<b>356,560</b>	<b>937,702</b>	<b>1,552,051</b>
Disbursements:						
General Government	161,140	180,140			161,140	180,140
Security of Persons and Property	182,475	165,860			182,475	165,860
Public Health Services	7,766	7,383			7,766	7,383
Leisure Time Activities	16,082	4,939			16,082	4,939
Basic Utilities	20,477	16,658			20,477	16,658
Transportation	107,888	90,157			107,888	90,157
Capital Outlay	295,699	652,641			295,699	652,641
Principal Retirement	9,743	9,546			9,743	9,546
Interest and Fiscal Charges	909	1,106			909	1,106
Water			106,233	97,793	106,233	97,793
Sewer			234,840	218,900	234,840	218,900
Community Center			22,230	18,478	22,230	18,478
<b>Total Disbursements</b>	<b>802,179</b>	<b>1,128,430</b>	<b>363,303</b>	<b>335,171</b>	<b>1,165,482</b>	<b>1,463,601</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(223,314)</b>	<b>67,061</b>	<b>(4,466)</b>	<b>21,389</b>	<b>(227,780)</b>	<b>88,450</b>
Net Assets, January 1	335,599	268,538	352,435	331,046	688,034	599,584
<b>Net Assets, December 31</b>	<b>\$112,285</b>	<b>\$335,599</b>	<b>\$347,969</b>	<b>\$352,435</b>	<b>\$460,254</b>	<b>\$688,034</b>

Program receipts represent only 49 percent of total receipts in 2011 and 28 percent of total receipts in 2010 and are primarily comprised of receipts for services charged for the provision of water and the removal of wastewater to our customers.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

General receipts represent 51 percent in 2011 and 72 percent in 2010 of the Village's total receipts, and of this amount, over 69 percent for 2011 are income tax. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, Village Administrator, and Fiscal Officer, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Public Health Services are refuse collection and cemetery maintenance; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the streets.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay and security of persons and property, which account for \$478,174 or 60 percent of all government disbursements, respectively. General Government also represents about 20 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented below.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2011	Total Cost Of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
General Government	\$161,140	\$180,140	\$138,686	\$158,181
Security of Persons and Property	182,475	165,860	182,475	165,860
Public Health Services	7,766	7,383	7,766	7,383
Leisure Time Activities	16,082	4,939	16,082	4,939
Basic Utilities	20,477	16,658	20,477	16,658
Transportation	107,888	90,157	48,723	29,691
Capital Outlay	295,699	652,641	279,299	652,641
Principal Retirement	9,743	9,546	9,743	9,546
Interest and Fiscal Charges	909	1,106	909	1,106
<b>Total Expenses</b>	<b>\$802,179</b>	<b>\$1,128,430</b>	<b>\$704,160</b>	<b>\$1,046,005</b>

The dependence upon property and income tax receipts is apparent as approximately 88 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The Village has two major business type activities, the provision of water and sewer, which are accounted for in the Water Operating Fund and the Sewer Operating Fund. The increase in expenses is due to the fact final payment of \$5,545 was made as to Phase IV of the Sewer Separation Project and additional

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

loan payment as to Phase IV-Sewer Separation Project.

**The Village's Funds**

Total governmental funds had receipts and other financing sources of \$614,865 and disbursements and other financing uses of \$838,179. The greatest change is due to the fact a decrease in revenue. This is because in 2010 there were receipt loan proceeds for the purchase of real estate. As to the decrease in expenditures, this is due to the decrease of Capital Outlay expenditures in 2011.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Final receipts were budgeted at \$318,130 while actual receipts were \$316,153. Final disbursements and other financing uses were budgeted at \$465,495, while actual disbursements and other financing uses were \$430,380. The actual receipts were not able to meet actual disbursements.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

**Debt**

At December 31, 2011, the Village's outstanding debt included a \$883,224 Ohio Water Development Authority loan, and \$609,994 Ohio Public Works Commission Loans, and a loan for a building purchase in the amount of \$30,711. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base.

In 2011 the Village made the final payment on Phase IV-Sewer Separation Project. The addition to the fire station will be completed in 2012 with a balance of \$10,600. Since some of the village funds are low, this will be a year of "tightening the belt" with no major expenditures being made unless in the case of an emergency situation.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lana S. Burry, Fiscal Officer, Village of Pandora, P.O. Box 193, Pandora, Ohio 45877-0193.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2011*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$112,285	\$347,969	\$460,254
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$53,186		\$53,186
Other Purposes	25,960		25,960
Unrestricted	33,139	347,969	381,108
<i>Total Net Assets</i>	\$112,285	\$347,969	\$460,254

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2011*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$161,140	\$22,454			(\$138,686)		(\$138,686)
Security of Persons and Property	182,475				(182,475)		(182,475)
Public Health Services	7,766				(7,766)		(7,766)
Leisure Time Activities	16,082				(16,082)		(16,082)
Basic Utility Services	20,477				(20,477)		(20,477)
Transportation	107,888		\$59,165		(48,723)		(48,723)
Capital Outlay	295,699			\$16,400	(279,299)		(279,299)
Debt Service:							
Principal Retirement	9,743				(9,743)		(9,743)
Interest and Fiscal Charges	909				(909)		(909)
<b>Total Governmental Activities</b>	<b>802,179</b>	<b>22,454</b>	<b>59,165</b>	<b>16,400</b>	<b>(704,160)</b>		<b>(704,160)</b>
<b>Business Type Activity</b>							
Water	106,233	104,700				(\$1,533)	(1,533)
Sewer	234,840	228,956				(5,884)	(5,884)
Community Center	22,230	25,181				2,951	2,951
<b>Total Business Type Activities</b>	<b>363,303</b>	<b>358,837</b>				<b>(4,466)</b>	<b>(4,466)</b>
<b>Total</b>	<b>\$1,165,482</b>	<b>\$381,291</b>	<b>\$59,165</b>	<b>\$16,400</b>	<b>(\$704,160)</b>	<b>(\$4,466)</b>	<b>(\$708,626)</b>
<b>General Receipts</b>							
Property Taxes Levied for General Purposes					42,788		42,788
Municipal Income Taxes					332,920		332,920
Cable Franchise Fees					5,130		5,130
Intergovernmental					82,465		82,465
Interest					4,568		4,568
Miscellaneous					12,975		12,975
<b>Total General Receipts</b>					<b>480,846</b>		<b>480,846</b>
Change in Net Assets					(223,314)	(4,466)	(227,780)
Net Assets Beginning of Year					335,599	352,435	688,034
<b>Net Assets End of Year</b>					<b>\$112,285</b>	<b>\$347,969</b>	<b>\$460,254</b>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2011*

	General	Street Construction Maintenance and Repair Fund	State Highway Fund	Park Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$33,139	\$8,892	\$12,121	\$1,247	\$51,939	\$4,947	\$112,285
<b>Fund Balances</b>							
NonSpendable							
Restricted		\$8,892	\$12,121			\$697	\$21,710
Committed					\$51,939	4,250	56,189
Assigned				\$1,247			1,247
Unassigned	\$33,139						33,139
<i>Total Fund Balances</i>	<u>\$33,139</u>	<u>\$8,892</u>	<u>\$12,121</u>	<u>\$1,247</u>	<u>\$51,939</u>	<u>\$4,947</u>	<u>\$112,285</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2011*

	General	Street Construction Maintenance and Repair Fund	State Highway Fund	Park Fund	Permissive Tax Fund	Income Tax Fund	CDBG- Handicap Parking Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>									
Municipal Income Taxes	\$166,460					\$166,460			\$332,920
Property and Other Local Taxes	42,788								42,788
Charges for Services	10,509			\$523		8,426			19,458
Fines, Licenses and Permits	2,871							\$125	2,996
Intergovernmental	71,167	\$54,728	\$4,437		\$11,298		\$16,400		158,030
Cable Franchise Fees	5,130								5,130
Interest	4,552	15	1						4,568
Miscellaneous	12,676	299							12,975
<i>Total Receipts</i>	<u>316,153</u>	<u>55,042</u>	<u>4,438</u>	<u>523</u>	<u>11,298</u>	<u>174,886</u>	<u>16,400</u>	<u>125</u>	<u>578,865</u>
<b>Disbursements</b>									
Current:									
General Government	144,060					17,080			161,140
Security of Persons and Property	182,475								182,475
Public Health Services	7,766								7,766
Leisure Time Activities				16,082					16,082
Basic Utility Services	20,477								20,477
Transportation	22,821	73,039	730		11,298				107,888
Capital Outlay	6,129		14,832			258,338	16,400		295,699
Debt Service:									
Principal Retirement	9,743								9,743
Interest and Fiscal Charges	909								909
<i>Total Disbursements</i>	<u>394,380</u>	<u>73,039</u>	<u>15,562</u>	<u>16,082</u>	<u>\$11,298</u>	<u>275,418</u>	<u>\$16,400</u>		<u>802,179</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(78,227)</u>	<u>(17,997)</u>	<u>(11,124)</u>	<u>(15,559)</u>		<u>(100,532)</u>		<u>125</u>	<u>(223,314)</u>
<b>Other Financing Sources (Uses)</b>									
Transfers In		20,000		16,000					36,000
Transfers Out	(36,000)								(36,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(36,000)</u>	<u>20,000</u>		<u>16,000</u>					
<i>Net Change in Fund Balances</i>	<u>(114,227)</u>	<u>2,003</u>	<u>(11,124)</u>	<u>441</u>		<u>(100,532)</u>		<u>125</u>	<u>(223,314)</u>
Fund Balances Beginning of Year	147,366	6,889	23,245	806		152,471		4,822	335,599
<i>Fund Balances End of Year</i>	<u>\$33,139</u>	<u>\$8,892</u>	<u>\$12,121</u>	<u>\$1,247</u>		<u>\$51,939</u>		<u>\$4,947</u>	<u>\$112,285</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$160,000	\$165,053	\$166,460	\$1,407
Property and Other Local Taxes	44,555	42,840	42,788	(52)
Charges for Services	11,308	11,308	10,509	(799)
Fines, Licenses and Permits	2,520	2,520	2,871	351
Intergovernmental	67,494	72,021	71,167	(854)
Cable Franchise Fees	5,130	5,130	5,130	
Interest	1,000	4,650	4,552	(98)
Miscellaneous	12,623	14,608	12,676	(1,932)
<i>Total Receipts</i>	304,630	318,130	316,153	(1,977)
<b>Disbursements</b>				
Current:				
General Government	142,458	144,291	144,060	231
Security of Persons and Property	179,000	189,490	182,475	7,015
Public Health Services	7,800	7,800	7,766	34
Basic Utility Services	18,000	22,000	20,477	1,523
Transportation	19,000	24,177	22,821	1,356
Capital Outlay	51,085	31,085	6,129	24,956
Debt Service:				
Principal Retirement	9,743	9,743	9,743	
Interest and Fiscal Charges	909	909	909	
<i>Total Disbursements</i>	427,995	429,495	394,380	35,115
<i>Excess of Disbursements Over Receipts</i>	(123,365)	(111,365)	(78,227)	33,138
<b>Other Financing Uses</b>				
Transfers Out	(24,000)	(36,000)	(36,000)	
<i>Net Change in Fund Balance</i>	(147,365)	(147,365)	(114,227)	33,138
Fund Balance Beginning of Year	147,366	147,366	147,366	
<i>Fund Balance End of Year</i>	\$1	\$1	\$33,139	\$33,138

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Street Construction, Maintenance and Repair Fund  
For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$48,000	\$48,000	\$54,728	\$6,728
Interest	300	300	15	(285)
Miscellaneous	916	616	299	(317)
<i>Total Receipts</i>	<u>49,216</u>	<u>48,916</u>	<u>55,042</u>	<u>6,126</u>
<b>Disbursements</b>				
Current:				
Transportation	76,105	76,105	73,039	3,066
<i>Excess of Disbursements Over Receipts</i>	<u>(26,889)</u>	<u>(27,189)</u>	<u>(17,997)</u>	<u>(9,192)</u>
<b>Other Financing Sources</b>				
Transfers In	20,000	20,000	20,000	
<i>Net Change in Fund Balance</i>	(6,889)	(7,189)	2,003	9,192
Fund Balance Beginning of Year	<u>\$6,889</u>	<u>6,889</u>	<u>6,889</u>	
<i>Fund Balance End of Year</i>	<u><u>          </u></u>	<u><u>(\$300)</u></u>	<u><u>\$8,892</u></u>	<u><u>\$9,192</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
State Highway Fund  
For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$4,498	\$4,498	\$4,437	(\$61)
Interest	2	2	1	(1)
<i>Total Receipts</i>	<u>4,500</u>	<u>4,500</u>	<u>4,438</u>	<u>(62)</u>
<b>Disbursements</b>				
Current:				
Transportation	27,745	27,745	730	27,015
Capital Outlay			14,832	(14,832)
<i>Total Disbursements</i>	<u>27,745</u>	<u>27,745</u>	<u>15,562</u>	<u>12,183</u>
<i>Net Change in Fund Balance</i>	(23,245)	(23,245)	(11,124)	12,121
Fund Balance Beginning of Year	<u>\$23,245</u>	<u>\$23,245</u>	<u>23,245</u>	
<i>Fund Balance End of Year</i>			<u><u>\$12,121</u></u>	<u><u>\$12,121</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Park Fund  
For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Charges for Services	\$1,000		\$523	\$523
<b>Disbursements</b>				
Current:				
Leisure Time Activities	5,806	\$16,803	16,082	721
<i>Excess of Disbursements Over Receipts</i>	(4,806)	(16,803)	(15,559)	1,244
<b>Other Financing Sources</b>				
Transfers In	4,000	16,000	16,000	
<i>Net Change in Fund Balance</i>	(806)	(803)	441	1,244
Fund Balance Beginning of Year	\$806	806	806	
<i>Fund Balance End of Year</i>	<u>\$3</u>	<u>\$3</u>	<u>\$1,247</u>	<u>\$1,244</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Permissive Tax Fund  
For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$3,000	\$11,298	\$11,298	
<b>Disbursements</b>				
Current:				
Transportation	\$3,000	\$11,298	\$11,298	
<i>Net Change in Fund Balance</i>				
Fund Balance Beginning of Year				
<i>Fund Balance End of Year</i>				

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Fund Net Assets - Cash Basis  
Proprietary Funds  
December 31, 2011*

	Business-Type Activities			
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	Total Enterprise Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$38,553	\$289,806	\$19,610	\$347,969
<b>Net Assets</b>				
Unrestricted	\$38,553	\$289,806	\$19,610	\$347,969

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December, 2011*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	
<b>Operating Receipts</b>				
Charges for Services	\$103,644	\$228,348	\$25,022	\$357,014
Other Operating Receipts	1,056	608	159	1,823
<i>Total Operating Receipts</i>	<u>104,700</u>	<u>228,956</u>	<u>25,181</u>	<u>358,837</u>
<b>Operating Disbursements</b>				
Personal Services	41,048	62,843		103,891
Contractual Services	16,212	37,806	15,386	69,404
Materials and Supplies	20,893	21,108	4,406	46,407
Other	9,098	5,062	38	14,198
<i>Total Operating Disbursements</i>	<u>87,251</u>	<u>126,819</u>	<u>19,830</u>	<u>233,900</u>
<i>Operating Income</i>	17,449	102,137	5,351	124,937
<b>Non-Operating Disbursements</b>				
Capital Outlay	(18,982)	(6,789)	(2,400)	(28,171)
Principal Payments		(101,232)		(101,232)
<i>Total Non-Operating Disbursements</i>	(18,982)	(108,021)	(2,400)	(129,403)
<i>Change in Net Assets</i>	(1,533)	(5,884)	2,951	(4,466)
Net Assets Beginning of Year	<u>40,086</u>	<u>295,690</u>	<u>16,659</u>	<u>352,435</u>
<i>Net Assets End of Year</i>	<u>\$38,553</u>	<u>\$289,806</u>	<u>\$19,610</u>	<u>\$347,969</u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Note 1 – Reporting Entity**

The Village of Pandora, Putnam County, Ohio, (the Village) is a body politic and corporate 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 six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government and ensures the financial statements are not misleading.

**A.Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village streets, park operations and police services. The Village appropriates general fund money to support a volunteer fire department.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

**C. Public Entity Risk Pools**

The Village participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity. This organization is the Public Entities Pool of Ohio.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has seven major governmental funds including the General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund, Park Fund, Permissive Tax Fund, Income Tax Fund, and the CDBG Handicap Parking Fund.

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

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

The State Highway Fund also accounts for that portion of the State gasoline tax and motor vehicle license registration fees, but is unlike the Street Construction & Repair Fund, is restricted for maintenance and repairs of the only state highway within the Village.

The majority of the receipts for the Park Fund comes from transfers from the General Fund. Also fees are charged for the use of the shelter houses. The revenue is used to maintain and upgrade the park facilities.

The Permissive Tax Fund accounts for a portion of the motor vehicle license registration fees held by the County for the village's use to re-surface those streets which are listed on the Permissive Tax map.

The Income Tax Fund is financed from local taxes. The majority of disbursements are for capital projects such as the purchase of equipment and other infrastructure.

The CDBG Handicap Parking Fund is for the purpose of receiving a CDBG grant for the handicap parking construction at the Community Center.

The other governmental funds of the Village account for other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major Enterprise funds are the Water and Sewer funds.

Water Fund – The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund – The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

During 2011, the Village invested in nonnegotiable certificates of deposits. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2011 was \$4,552, which includes \$2,717 assigned from other Village funds.

**F. Inventory and Prepaid Items**

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

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

**H. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**I. Accumulated Leave**

Upon retirement, employees are entitled to cash payments for up to 30 days of unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**K. Long-Term Obligations**

The Village's cash basis of financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital expenditures and the payment of debt.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

The balance of \$4,250 in the Park Capital Improvement Fund as of December 31, 2011 is restricted by enabling legislation.

**M. Fund Balance**

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

**Nonspendable** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash. It also includes the long-term amount of interfunds loans.

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

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

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

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**N. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

**Note 3 – Change in Accounting Principle**

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major and nonmajor funds as previously reported.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund, Park Fund, and Permissive Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). There were no encumbrances outstanding at year end.

**Note 5 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 5 – Deposits and Investments (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

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

**Deposits**

At year end, the Village had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$212,969 of the Village's bank balance of \$466,563 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 5 – Deposits and Investments (Continued)**

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2011, the Village had no investments.

**Note 6 – Income Taxes**

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund and the Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2010 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$4.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 7 – Property Taxes (Continued)**

Real Property	
Residential	\$14,500,690
Agriculture	77,940
Commercial/Industrial/Mineral	2,725,590
Public Utility Property	
Personal	510,040
Total Assessed Value	\$17,814,260

**Note 8 – Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010.

	<b><u>2011</u></b>	<b><u>2010</u></b>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 8 – Risk Management (Continued)**

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$22,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>Contributions to PEP</u></b>	
<b><u>2011</u></b>	<b><u>2010</u></b>
\$23,554	\$22,759

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 9 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 9 – Defined Benefit Pension Plans (Continued)**

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The Village's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$24,499, \$24,082 and \$25,741, respectively; 87.87 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

**B. Ohio Police and Fire Pension Fund**

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers. The Village's contributions to OP&F for police pension for the years ended December 31, 2011, 2010, and 2009 were \$17,395, \$16,815 and \$14,658 respectively; 92.96 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

**Note 10- Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 10- Postemployment Benefits (Continued)**

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$7,000, \$8,744, and \$10,802, respectively; 84.83 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 10- Postemployment Benefits (Continued)**

**B. Ohio Police and Fire Pension Fund**

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police was \$6,021 for the year ended December 31, 2011, \$5,821 for the year ended December 31, 2010, and \$5,073 for the year ended December 31, 2009. 92.96 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 11 – Debt**

The Village's long-term debt activity for the year ended December 31, 2011, was as follows:

	Interest Rate	Balance December 31, 2010	Reductions	Balance December 31, 2011	Due Within One Year
Ohio Public Works Commission Loan (#CM109)		\$55,250	(\$8,500)	\$46,750	\$8,500
Ohio Water Development Authority Loan (#4138)		946,312	(63,088)	883,224	63,087
Ohio Public Works Commission Loan (#CT58M)		592,888	(29,644)	563,244	19,763
Building Purchase Loan (#69531)	2.52%	40,454	(9,743)	30,711	9,994
<b>Total</b>		<b>\$1,634,904</b>	<b>(\$110,975)</b>	<b>\$1,523,929</b>	<b>\$101,344</b>

The Ohio Water Development Authority (OWDA) loan #1007 relates to a water and sewer plant expansion project. The OWDA in 1969 approved up to \$165,178 in loans to the Village for this project. The loan was repaid during 2010.

The Ohio Public Works Commission (OPWC) loan relates to a storm and sanitary sewer separation project. The OPWC approved a \$170,000 zero percent loan to the Village for this project, in 1996. The loan is being repaid in semiannual installments of \$4,250 over 20 years.

OWDA loan #4138 for sewer separation was approved by the OWDA for the Village at zero percent in the amount of \$1,336,930, with repayments to begin July 1, 2006. The loan will be repaid in semiannual installments over 20 years.

On March 27, 2009, loan #CT58M for sewer separation was approved by the OPWC for the Village in the amount up to \$770,155, with repayments to begin July 1, 2011. The construction is in progress but the loan has not been officially closed and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments over 30 years.

The Building Purchase Loan of \$50,000 was signed on January 5, 2010. The term is for five years with an interest rate of 2.52%, and monthly payments of \$888. The purpose of this loan was for the purchase of village administrator office and maintenance building.

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

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**Note 11 – Debt (Continued)**

Year	OWDA Loan	OPWC Loans	Building Purchase Loan	
	Principal	Principal	Principal	Interest
2012	\$63,087	\$28,263	\$9,994	\$660
2013	63,087	28,263	10,249	405
2014	63,087	28,263	10,468	144
2015	63,087	28,263		144
2016	63,087	28,263		
2017-2021	315,435	103,065		
2022-2026	252,354	98,815		
2027-2031		98,815		
2032-2036		98,815		
2037-2040		69,169		
Totals	<u>\$883,224</u>	<u>\$609,994</u>	<u>\$30,711</u>	<u>\$1,353</u>

**Note 12 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General Fund	Street Construction and Maintenance Repair Fund	State Highway Fund	Park Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:							
Road Improvement		\$8,892	\$12,121				\$21,013
Police Operations						\$697	697
Total Restricted		8,892	12,121			697	21,710
Committed for:							
Capital Outlay					\$51,939	4,250	56,189
Total Committed					51,939	4,250	56,189
Assigned for:							
Recreation				\$1,247			1,247
Total Assigned				1,247			1,247
Unassigned	\$33,139						33,139
Total Fund Balance	\$33,139	\$8,892	\$12,121	\$1,247	\$51,939	\$4,947	\$112,285

**Note 13 – Subsequent Events**

On August 7, 2012 the Village entered a bank loan with the First National Bank of Pandora in the amount of \$100,000, for a term of five years, with an annual interest rate of 3.3%. This debt was used for cost associated with storm damage.



# Dave Yost • Auditor of State

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

Village of Pandora  
Putnam County  
P.O. Box 193  
Pandora, Ohio 45877-0193

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pandora, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 27, 2012, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and the Village adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 27, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 27, 2012

VILLAGE OF PANDORA  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011

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

FINDING NUMBER 2011-001

**Material Weakness**

**Monitoring Financial Statements**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The 2011 financial statements contained material errors, such as the following:

- Intergovernmental receipts of the Street Construction, Maintenance Repair Fund and State Highway Fund totaling \$59,165 were recorded as general receipts of Governmental Activities on the Statement of Activities instead of program cash receipts.
- Fines, Licenses, and Permit receipts totaling \$2,996 were recorded as general receipts of Governmental Activities on the Statement of Activities instead of program cash receipts.

These adjusting entries were posted to the financial statements to reflect these corrections.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2011-002

**Noncompliance Citation**

**Ohio Revised Code, § 731.14**, provides in part that all contracts made by the legislative authority of a village shall be executed in the name of the village and signed on its behalf by the mayor and clerk. Except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code, available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, or required to be purchased from a qualified nonprofit agency under sections 125.60 to 125.6012 of the Revised Code, when any expenditure, other than the compensation of persons employed in the village, exceeds twenty-five thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the village.

The Village did not advertise for bids for a waterline extension totaling \$150,920 in 2011. We recommend any expenditure exceeding the legal bidding requirements follow the Ohio Revised Code.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**This page intentionally left blank.**

VILLAGE OF PANDORA  
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2010-001	Financial Reporting recommendation for financial statement errors.	No	Finding has not been corrected and is repeated in this report as item 2011-001.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

VILLAGE OF PANDORA

PUTNAM 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  
DECEMBER 18, 2012