



**Auditor of State  
Betty Montgomery**



VILLAGE OF PANDORA  
PUTNAM COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Pandora  
Putnam County  
102 South Jefferson Street  
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, 2005, 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 modified 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 modified 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, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and the Street Construction Maintenance and Repair Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

October 23, 2006

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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, 2005, within the limitations of the Village's modified 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 2005 are as follows:

- Net assets of governmental activities decreased \$160,695, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Income Tax Fund, which realized the greatest burden of increased costs in 2005, due to capital expenditures of replacing a waterline on State Route 12 of \$201,000. However, cost increases affected most funds.
- The Village's general receipts are primarily income taxes. Most of the governmental activities revenue had very little change from the prior year.
- The water and sewer operations experienced an increase in revenue due to the increase in water and sewer rates which came into effect in August 2005.
- The Village's major construction project for 2005 was Phase III of the sewer separation project, which totaled \$1,260,000. This project was financed through an Issue 2 grant of \$350,000 and a \$910,000 Ohio Water Development Authority (OWDA) loan to be repaid over 20 years without interest. The first payment is scheduled for July 2006.

**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 modified 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.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

**Reporting the Village as a Whole**

This 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 2005, within the limitations of modified cash basis 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 modified 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 nonfinancial 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.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Business-type activity. The Village has three business-type activities. One is for the provision of water, second is for the provision of removing wastewater, and the third is for the operation of a community center. 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 statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Construction Maintenance and Repair Fund, Phase III – Sewer Separation Project Fund, and the Income Tax 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.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Cash and Cash Equivalents	\$394,118	\$554,813	\$321,457	\$235,508	\$715,575	\$790,321
Total Assets	<u>\$394,118</u>	<u>\$554,813</u>	<u>\$321,457</u>	<u>\$235,508</u>	<u>\$715,575</u>	<u>\$790,321</u>
<b>Net Assets</b>						
Restricted for:						
Capital Outlay	282,060	402,789			282,060	402,789
Other Purposes	48,002	41,878			48,002	41,878
Unrestricted	64,056	110,146	321,457	235,508	385,513	345,654
Total Net Assets	<u>\$394,118</u>	<u>\$554,813</u>	<u>\$321,457</u>	<u>\$235,508</u>	<u>\$715,575</u>	<u>\$790,321</u>

As mentioned previously, net assets of governmental activities decreased \$160,695 during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The Village replaced a much needed waterline on State Route 12 at a cost of \$201,000.
- The Village had several streets that were in very poor condition that needed extensive repairs as well as replacing curbing and catch basins on Main Street costing in excess of \$51,354.
- Health benefit costs grew substantially as several employees experienced significant health problems. The Village pays the deductible and co-pay for the Village employees. The General Fund paid 44% of the total medical costs.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$2,756	\$328,030	\$330,786
Operating Grants and Contributions	108,861		108,861
Capital Grants and Contributions	319,976		319,976
Total Program Receipts	<u>431,593</u>	<u>328,030</u>	<u>759,623</u>
General Receipts:			
Property and Other Local Taxes	33,909		33,909
Income Taxes	341,450		341,450
Grants and Entitlements Not Restricted to Specific Programs	40,610		40,610
Notes Issued	843,839		843,839
Interest	7,600		7,600
Miscellaneous	33,479	11,009	44,488
Total General Receipts	<u>1,300,887</u>	<u>11,009</u>	<u>1,311,896</u>
Total Receipts	<u>1,732,480</u>	<u>339,039</u>	<u>2,071,519</u>
Disbursements:			
General Government	100,904		100,904
Security of Persons and Property:	169,128		169,128
Public Health Services	1,800		1,800
Leisure Time Activities	7,202		7,202
Basic Utilities	28,102		28,102
Transportation	78,146		78,146
Capital Outlay	1,507,893		1,507,893
Water		119,508	119,508
Sewer		126,349	126,349
Community Center		7,233	7,233
Total Disbursements	<u>1,893,175</u>	<u>253,090</u>	<u>2,146,265</u>
Increase (Decrease) in Net Assets	(160,695)	85,949	(74,746)
Net Assets, January 1, 2005	554,813	235,508	790,321
Net Assets, December 31, 2005	<u>\$394,118</u>	<u>\$321,457</u>	<u>\$715,575</u>

Program receipts represent only 36 percent of total receipts 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, 2005  
UNAUDITED  
(Continued)**

General receipts represent 63 percent of the Village's total receipts, and of this amount, over 26 percent are local taxes. 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 the clerk-treasurer, 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 is the cemetery maintenance; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

**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 \$1,677,021 and 89 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 5 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 in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$100,904	\$98,148
Security of Persons and Property	169,128	169,128
Public Health Services	1,800	1,800
Leisure Time Activities	7,202	7,202
Basic Utilities	28,102	28,102
Transportation	78,146	(30,715)
Capital Outlay	1,507,893	1,187,917
Total Expenses	\$1,893,175	\$1,461,582

The dependence upon property and income tax receipts is apparent as over 23 percent of governmental activities are supported through these general receipts.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**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 significant increase in revenue in the Sewer Fund is to facilitate the additional expense of the new debt of approximately \$1,260,000, with the first payment being due in July 2006. This sewer project was mandated by the Ohio EPA and the Village has one more phase to complete by the year 2010.

**The Village's Funds**

Total governmental funds had receipts and other financing sources of \$1,739,480 and disbursements and other financing uses of \$1,900,175. The greatest change within governmental funds occurred within the Income Tax Fund. The fund balance of the Income Tax Fund decreased \$120,729 as the result of waterline replacement and replacement of curbing and catch basins on Main Street.

Income Tax Fund receipts were less than disbursements by \$120,729 indicating that the Income Tax Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. The Village has authorized only one expenditure for 2006 which is a new fire truck costing approximately \$85,000. Unless other capital expenditures are "emergency" in nature, no other major projects are being authorized by the Council for 2006.

**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.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to increased income tax collections. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements and other financing uses were budgeted at \$344,922 while actual disbursements and other financing uses were \$315,193. Since receipts were less than expenditures the Village kept spending less than budgeted amounts. The result is decrease in fund balance of \$67,259 for 2005

**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, 2005, the Village's outstanding debt included a \$47,520 Ohio Water Development Authority loan and a \$97,750 Ohio Public Works Commission Loan. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**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. Our newly prepared financial forecast predicts a possible deficit for 2006. A change in the police department staff will cause a decrease in the overall spending for security of persons and property. Even with this change, the finance committee and the administration will need to monitor closely major expenditures for 2006. The Village, along with Riley Township, is committed to the purchase of a new fire truck in 2006.

**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 Burry, Clerk-Treasurer, Village of Pandora, 102 South Jefferson Street., Pandora, Ohio 45877-0193.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Net Assets - Modified Cash Basis  
December 31, 2005*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$394,118</u>	<u>\$321,457</u>	<u>\$715,575</u>
<i>Total Assets</i>	<u><u>\$394,118</u></u>	<u><u>\$321,457</u></u>	<u><u>\$715,575</u></u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$282,060		\$282,060
Other Purposes	48,002		48,002
Unrestricted	<u>64,056</u>	<u>\$321,457</u>	<u>385,513</u>
<i>Total Net Assets</i>	<u><u>\$394,118</u></u>	<u><u>\$321,457</u></u>	<u><u>\$715,575</u></u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2005*

	Program Cash Receipts			
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>				
General Government	\$100,904	\$2,756		
Security of Persons and Property	169,128			
Public Health Services	1,800			
Leisure Time Activities	7,202			
Basic Utility Services	28,102			
Transportation	78,146	\$108,861		
Capital Outlay	1,507,893		\$319,976	
<i>Total Governmental Activities</i>	1,893,175	2,756	108,861	319,976
<b>Business Type Activities</b>				
Water	119,508	107,703		
Sewer	126,349	209,627		
Community Center	7,233	10,700		
<i>Total Business Type Activities</i>	253,090	328,030		
<b>Total</b>	<b>\$2,146,265</b>	<b>\$330,786</b>	<b>\$108,861</b>	<b>\$319,976</b>

**General Receipts**

Property Taxes Levied for General Purposes  
Municipal Income Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Notes Issued  
Interest  
Miscellaneous

*Total General Receipts*

Change in Net Assets

Net Assets Beginning of Year

*Net Assets End of Year*

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$98,148)		(\$98,148)
(169,128)		(169,128)
(1,800)		(1,800)
(7,202)		(7,202)
(28,102)		(28,102)
30,715		30,715
(1,187,917)		(1,187,917)
(1,461,582)		(1,461,582)
	(\$11,805)	(11,805)
	83,278	83,278
	3,467	3,467
	74,940	74,940
(1,461,582)	74,940	(1,386,642)
33,909		33,909
341,450		341,450
40,610		40,610
843,839		843,839
7,600		7,600
33,479	11,009	44,488
1,300,887	11,009	1,311,896
(160,695)	85,949	(74,746)
554,813	235,508	790,321
\$394,118	\$321,457	\$715,575

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	General	Street Construction Maintenance and Repair Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$64,056	\$20,351	\$281,360	\$28,351	\$394,118
<i>Total Assets</i>	<u>\$64,056</u>	<u>\$20,351</u>	<u>\$281,360</u>	<u>\$28,351</u>	<u>\$394,118</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$21,169	\$1,247			\$22,416
Unreserved:					
Undesignated, Reported in:					
General Fund	42,887				42,887
Special Revenue Funds		19,104		\$27,651	46,755
Capital Projects Funds			\$281,360	700	282,060
<i>Total Fund Balances</i>	<u>\$64,056</u>	<u>\$20,351</u>	<u>\$281,360</u>	<u>\$28,351</u>	<u>\$394,118</u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Street Construction Maintenance and Repair Fund	Phase III Sewer Seperation Project Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$114,562			\$226,888		\$341,450
Property and Other Local Taxes	33,425					33,425
Special Assessments				484		484
Fines, Licenses and Permits	2,731				\$25	2,756
Intergovernmental	69,867	\$47,826	\$319,976		31,778	469,447
Interest	7,516	78			6	7,600
Miscellaneous	19,833	877		12,349	420	33,479
<i>Total Receipts</i>	<u>247,934</u>	<u>48,781</u>	<u>319,976</u>	<u>239,721</u>	<u>32,229</u>	<u>888,641</u>
<b>Disbursements</b>						
Current:						
General Government	84,532			16,372		100,904
Security of Persons and Property	169,128					169,128
Public Health Services	1,800					1,800
Leisure Time Activities					7,202	7,202
Basic Utility Services	28,102					28,102
Transportation	3,462	46,906			27,778	78,146
Capital Outlay			1,163,815	344,078		1,507,893
<i>Total Disbursements</i>	<u>287,024</u>	<u>46,906</u>	<u>1,163,815</u>	<u>360,450</u>	<u>34,980</u>	<u>1,893,175</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(39,090)</u>	<u>1,875</u>	<u>(843,839)</u>	<u>(120,729)</u>	<u>(2,751)</u>	<u>(1,004,534)</u>
<b>Other Financing Sources (Uses)</b>						
Notes Issued			843,839			843,839
Transfers In					7,000	7,000
Transfers Out	(7,000)					(7,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(7,000)</u>		<u>\$843,839</u>		<u>7,000</u>	<u>843,839</u>
<i>Net Change in Fund Balances</i>	<u>(46,090)</u>	<u>1,875</u>		<u>(120,729)</u>	<u>4,249</u>	<u>(160,695)</u>
Fund Balances Beginning of Year	<u>110,146</u>	<u>18,476</u>		<u>402,089</u>	<u>24,102</u>	<u>554,813</u>
<i>Fund Balances End of Year</i>	<u>\$64,056</u>	<u>\$20,351</u>		<u>\$281,360</u>	<u>\$28,351</u>	<u>\$394,118</u>

See accompanying notes to the 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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$97,022	\$101,338	\$114,562	\$13,224
Property and Other Local Taxes	32,017	33,441	33,425	(16)
Fines, Licenses and Permits	2,911	3,040	2,731	(309)
Intergovernmental	72,355	75,574	69,867	(5,707)
Interest	14,553	15,201	7,516	(7,685)
Miscellaneous	5,918	6,182	19,833	13,651
<i>Total Receipts</i>	<u>224,776</u>	<u>234,776</u>	<u>247,934</u>	<u>13,158</u>
<b>Disbursements</b>				
Current:				
General Government	96,922	96,922	87,398	9,524
Security of Persons and Property	185,000	185,000	187,431	(2,431)
Public Health Services	4,000	4,000	1,800	2,200
Basic Utility Services	43,000	43,000	28,102	14,898
Transportation	6,000	6,000	3,462	2,538
<i>Total Disbursements</i>	<u>334,922</u>	<u>334,922</u>	<u>308,193</u>	<u>26,729</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(110,146)</u>	<u>(100,146)</u>	<u>(60,259)</u>	<u>39,887</u>
<b>Other Financing Uses</b>				
Transfers Out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(7,000)</u>	<u>3,000</u>
<i>Net Change in Fund Balance</i>	(120,146)	(110,146)	(67,259)	42,887
<i>Fund Balance Beginning of Year</i>	93,386	93,386	93,386	
Prior Year Encumbrances Appropriated	<u>16,760</u>	<u>16,760</u>	<u>16,760</u>	
<i>Fund Balance End of Year</i>	<u>(\$10,000)</u>	<u>          </u>	<u>\$42,887</u>	<u>\$42,887</u>

See accompanying notes to the 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, 2005*

	<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	\$63,900	\$63,900	\$47,826	(\$16,074)
Interest	100	100	78	(22)
Miscellaneous	1,000	1,000	877	(123)
<i>Total Receipts</i>	<u>65,000</u>	<u>65,000</u>	<u>48,781</u>	<u>(16,219)</u>
<b>Disbursements</b>				
Current:				
Transportation	83,475	83,475	48,153	35,322
<i>Total Disbursements</i>	<u>83,475</u>	<u>83,475</u>	<u>48,153</u>	<u>35,322</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,475)</u>	<u>(18,475)</u>	<u>628</u>	<u>19,103</u>
<i>Net Change in Fund Balance</i>	(18,475)	(18,475)	628	19,103
<i>Fund Balance Beginning of Year</i>	<u>18,476</u>	<u>18,476</u>	<u>18,476</u>	
<i>Fund Balance End of Year</i>	<u><u>\$1</u></u>	<u><u>\$1</u></u>	<u><u>\$19,104</u></u>	<u><u>\$19,103</u></u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Fund Net Assets - Modified Cash Basis  
Proprietary Funds  
December 31, 2005*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$76,276	\$238,201	\$6,980	\$321,457
<i>Total Assets</i>	<u>\$76,276</u>	<u>\$238,201</u>	<u>\$6,980</u>	<u>\$321,457</u>
<b>Net Assets</b>				
Unrestricted	<u>\$76,276</u>	<u>\$238,201</u>	<u>\$6,980</u>	<u>\$321,457</u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2005*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	
<b>Operating Receipts</b>				
Charges for Services	\$107,703	\$209,627	\$10,700	\$328,030
<b>Operating Disbursements</b>				
Personal Services	66,040	66,547		132,587
Contractual Services	25,086	26,493	5,362	56,941
Materials and Supplies	22,841	10,136	1,686	34,663
Capital Outlay	436			436
<i>Total Operating Disbursements</i>	<u>114,403</u>	<u>103,176</u>	<u>7,048</u>	<u>224,627</u>
<i>Operating Income (Loss)</i>	(6,700)	106,451	3,652	103,403
<b>Non-Operating Receipts (Disbursements)</b>				
Other Receipts	6,674	822	3,513	11,009
Miscellaneous	(5,105)	(3,348)		(8,453)
Principal Payments		(16,364)		(16,364)
Interest and Fiscal Charges		(3,461)	(185)	(3,646)
<i>Total Non-Operating Receipts (Disbursements)</i>	1,569	(22,351)	3,328	(17,454)
<i>Change in Net Assets</i>	(5,131)	84,100	6,980	85,949
Net Assets Beginning of Year	<u>81,407</u>	<u>154,101</u>		<u>235,508</u>
<i>Net Assets End of Year</i>	<u><u>\$76,276</u></u>	<u><u>\$238,201</u></u>	<u><u>\$6,980</u></u>	<u><u>\$321,457</u></u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**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.

**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 roads and bridges, 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.

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 modified cash basis of accounting. This modified 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 modified 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 modified 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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 modified 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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 four major governmental funds including the General Fund, Street Construction and Maintenance Repair Fund, Phase III – Sewer Separation Project Fund and Income Tax 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 and Maintenance Repair Fund is financed primarily from gas and motor vehicle taxes. The Street Construction and Maintenance Repair Fund revenue is primarily used for the maintenance and repair of streets and street-related expenses such as curbs and gutters.
- The Phase III – Sewer Separation Project Fund is established for the purpose of distinguishing the revenue as restricted for the specific use of this project. Receipts are from grants and loans through Issue 2 and OWDA. The expenditures for this fund are restricted for the constructions of said project.
- 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 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.

C. Basis of Accounting

The Village's financial statements are prepared using the modified 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.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

As a result of the use of this modified 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 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 Clerk. 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.

During 2005, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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 2005 was \$7,516, which includes \$ 6,136 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**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified 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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Village's modified cash basis 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.

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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**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 BASIS OF ACCOUNTING**

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**NOTE 4 – COMPLIANCE**

The Village did not certify funds as required by Ohio Revised Code § 5705.41(D)(1).

**NOTE 5 – 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 and the Street Construction Maintenance and Repair Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$21,169 for the General Fund and \$1,247 Street Construction and Maintenance Repair Fund.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 – 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.

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 (STAR Ohio).

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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, \$616,099 of the Village's bank balance of \$723,572 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.

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, 2005, the Village had no investments.

**NOTE 7 – 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 8 – 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 8 – PROPERTY TAXES – (CONTINUED)**

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected 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 receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first 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, 2004, was \$2.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$11,547,880
Agriculture	63,620
Commercial/Industrial	1,893,110
Public Utility Property	
Personal	437,740
Tangible Personal Property	2,489,772
Total Assessed Value	<u>\$ 16,432,122</u>

**NOTE 9 – 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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$13,721 in 2005.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$16,010, \$14,844, and \$12,057 respectively. The full amount has been contributed for 2005, 2004 and 2003.

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

The Village 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003, were \$9,223, \$8,399, and \$8,382. The full amount has been contributed for 2005, 2004 and 2003.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2005 which were used to fund postemployment benefits were \$6,705. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment health care benefits were \$2,856 for police. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters

**NOTE 12 - DEBT**

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Reductions	Balance December 31, 2005	Due Within One Year
Ohio Water Development Authority Loan	6.25%	\$55,384	\$7,864	\$47,520	\$4,178
Ohio Public Works Commission Loan		106,250	8,500	97,750	4,250
Total		<u>\$161,634</u>	<u>\$16,364</u>	<u>\$145,270</u>	<u>\$8,428</u>

The Ohio Water Development Authority (OWDA) loan 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 loans will be repaid in semiannual installments of \$5,663, including interest, over 40 years.

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

On August 24, 2004, loan #4138 for sewer separation was approved by the OWDA for the Village in the amount of \$1,336,930 with a 20 year term, at a 0 percent interest rate, with repayments to begin July 1, 2006. The improvements have not been completed to date and a final amortization schedule is unavailable. The semiannual payments including interest are estimated to be \$33,423.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 12 – DEBT – (CONTINUED)**

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

Year	OWDA Loans		OPWC Loan
	Principal	Interest	Principal
2006	\$4,178	\$1,485	\$4,250
2007	8,617	2,709	8,500
2008	9,155	2,171	8,500
2009	9,727	1,598	8,500
2010	10,336	990	8,500
2011 - 2015	5,507	155	42,500
2016-2017			17,000
Totals	\$47,520	\$9,108	\$97,750

**NOTE 13 – CONTRACTUAL COMMITMENTS**

At December 31, 2005, the Village had \$359,629 in outstanding contractual commitments for the OWDA/Sewer Separation project payable to Underground Utilities, Inc.



**Auditor of State  
Betty Montgomery**

**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  
102 South Jefferson Street  
P.O. Box 193  
Pandora, Ohio 45877-0193

To the Village Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pandora, Putnam County, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report dated October 23, 2006, wherein, we noted the Village prepares its financial statements on the modified cash basis of accounting. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 23, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **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 or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated October 23, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance committee, management, and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

October 23, 2006

VILLAGE OF PANDORA  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the expenditures were certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-001  
(Continued)**

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Village Council.

To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and the Village Council members periodically review the expenditures made to ensure they are within the appropriations adopted by the Village Council members, certified by the Fiscal Officer, and recorded against appropriations.

**Officials' Response**

The Village of Pandora considers themselves a small entity with a small number of employees involved in the purchasing process. Also, the Village Administrator oversees the purchases made by the employees and approves all bills prior to payment being made. Therefore, the Village does not see a need to use the encumbrance method of accounting.

VILLAGE OF PANDORA  
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005

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>
2004-001	ORC § 5705.41(D) Failure to certify funds	No	The finding has not been corrected and is repeated in this report as finding 2005-001.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Facsimile 614-466-4490

**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  
NOVEMBER 21, 2006**