



Dave Yost • Auditor of State

VILLAGE OF PANDORA
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	13
Statement of Activities – Cash Basis	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	16
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis - Governmental Funds.....	17
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund	18
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis – Street, Construction, Maintenance, and Repair Fund	19
Statement of Fund Net Position – Cash Basis - Proprietary Funds	20
Statement of Receipts, Disbursements, and Changes in Fund Net Position – Cash Basis – Proprietary Funds	21
Notes to the Basic Financial Statements	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41
Schedule of Prior Audit Findings.....	43
Schedule of Prior Audit Findings.....	47

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Pandora
Putnam County
PO Box 193
Pandora, Ohio 45877-0193

To the Village Council:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 (the Village), as of and for the year ended December 31, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General and Street Construction, Maintenance, and Repair funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Columbus, Ohio

May 13, 2014

This page intentionally left blank.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

This discussion and analysis of the Village of Pandora's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2013, 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 2013 are as follows:

- Net position of governmental activities increased by \$180,944, a significant change from the prior year. This is due to receipt of Federal Emergency Management Agency (FEMA) funds of \$68,327. The Village also received over \$100,000 in estate tax monies and sold a former maintenance building in the amount of \$27,000.
- Net position increased in the business-type activities by \$47,861 for 2013. The former Utilities Superintendent resigned, effective February, 2013, which reduced the payroll and benefits, and there were no major expenses in these funds.

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 position 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 modified cash basis of 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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

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 position and the statement of activities reflect how the Village did financially during 2013, within the limitations of modified cash accounting. The statement of net position 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 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 position 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 a third and final 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 not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

governmental funds are: General Fund, Street Construction, Maintenance, and Repair Fund, Federal Emergency Management Agency Fund and 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. We describe this relationship in reconciliations presented with the governmental fund financial 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: Water Fund, Sewer Fund, and Community Center Fund.

The Government as a Whole

Table 1 provides a summary of the Village's net position for 2013 compared to 2012 on a modified cash basis:

(Table 1)

Net Position

	Governmental Activities 2013	Governmental Activities 2012	Business Type Activities 2013	Business Type Activities 2012	Total Activities 2013	Total Activities 2012
Assets:						
Cash and Cash Equivalents	\$295,538	\$114,594	\$420,278	\$372,417	\$715,816	\$478,011
Net Position:						
Restricted	\$161,682	\$41,909	\$91,350	\$91,350	\$253,032	\$133,259
Unrestricted	133,856	72,685	328,928	281,067	462,784	353,752
Total Net Position	\$295,538	\$114,594	\$420,278	\$372,417	\$715,816	\$487,011

As mentioned previously, net position of governmental activities increased by \$180,944. The net position in business-type activities increased by \$47,861. The primary reasons for contributing to the increases are as follows:

The increase in governmental activities of \$180,944 is due in part to receipt of Federal Emergency Management Agency (FEMA) funds, totaling \$79,023. The Village also received over \$100,000 in estate tax monies and sold the former maintenance building in the amount of \$27,000.

The increase of \$47,861 in the business-type activity funds is due in part to the former utilities superintendent resigned, effective February, 2013, which reduced the payroll and benefits, and there were no major expenses in these funds.

Table 2 reflects the changes in net position in years 2013 and 2012 for governmental activities, business-type activities and primary government.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

Program receipts represent only 44 percent of total receipts in 2013 and are primarily comprised of receipts for services charged for the provision of water and the removal of wastewater to our customers.

General receipts represent 56 percent in 2013 of the Village's total receipts, and of this amount, 66 percent, for 2013, 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 the Village Council, Village Administrator, and Fiscal Officer. Since these costs do not represent direct services to residents, we try to limit these costs to 24 percent of General Fund unrestricted receipts.

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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

Table 2

	Governmental Activities 2013	Business Type Activities 2013	Governmental Activities 2012	Business Type Activities 2012
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$24,135	\$348,654	\$19,565	\$353,316
Operating Grants and Contributions	56,380		57,557	
Capital Grants and Contributions	81,498		19,091	
Total Program Receipts	162,013	348,654	96,213	353,316
General Receipts:				
Property Taxes Levied for General Purposes	32,200		32,300	
Income Taxes	387,475		351,973	
Fines, License, Permits and Fees	2,556		5,411	
Cable Franchise Fees	5,295			
Grants and Entitlements Not Restricted to Specific Programs	138,767		41,708	
Loan Proceeds			100,000	
Rent	16,150		8,426	
Sale of Fixed Assets	27,700			
Interest	954		1,934	
Miscellaneous	22,838	6,004	5,197	13,844
Total General Receipts	633,935	6,004	546,949	13,844
Total Receipts	795,948	354,658	643,162	367,160
Disbursements:				
General Government	150,478		263,130	
Security Persons and Property	166,683		166,866	
Public Health Services	6,626		6,336	
Leisure Time Activities	3,325		8,313	
Basic Utilities	17,469		16,022	
Transportation	101,684		85,044	
Capital Outlay	80,894		77,240	
Principal Retirement	85,871		16,152	
Interest/Fiscal Charges	1,974		1,750	
Water Operating		109,762		110,555
Sewer Operating		176,031		203,782
Community Center		21,004		28,375
Total Disbursements	615,004	306,797	640,853	342,712
Increase in Net Position	180,944	47,861	2,309	24,448
Net Position, July 1	114,594	372,417	112,285	347,969
Net Position, June 30	\$295,538	\$420,278	\$114,594	\$372,417

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 security of persons and property and general

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

government, which account for \$317,161 or 52 percent of all government disbursements, respectively. Transportation and Capital Outlay also represent 30 percent of said program disbursements. 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.

Business-type Activities

The water and sewer operations of the Village make up the majority of the Business-type activities.

Table 3

	Governmental Activities		Business Type Activities		Governmental Activities		Business Type Activities	
	Total Cost of	Net Cost of	Total Cost of	Net Cost of	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services	Services	Services	Services	Services
	2013	2013	2013	2013	2012	2012	2012	2012
General Government	\$150,478	\$47,643			\$263,130	\$224,784		
Security Persons and Property	166,683	163,885			166,866	166,556		
Public Health Services	6,626	6,626			6,336	6,336		
Leisure Time	3,325	3,325			8,313	8,313		
Basic Utilities	17,469	17,469			16,022	16,022		
Transportation	101,684	45,304			85,044	27,487		
Capital Outlay	80,894	80,894			77,240	77,240		
Principal Retirement	85,871	85,871			16,152	16,152		
Interest and Fiscal Charges	1,974	1,974			1,750	1,750		
Water Operating			\$109,762	(\$20,159)			\$110,555	(\$17,958)
Sewer Operating			176,031	(17,397)			203,783	5,321
Community Center Operating			21,004	(4,301)			28,374	2,033
Total Disbursements	\$615,004	\$452,991	\$306,797	(\$41,857)	\$640,853	\$544,640	\$342,712	(\$10,604)

The dependence upon property and income tax receipts is apparent as approximately 66 percent of governmental activities are supported through these general receipts.

The primary variance between 2013 costs and 2012 costs is in General Government. Storm damage cleanup was extensive during 2012.

The Village's Funds

Total governmental funds had receipts and other financing sources of \$886,671 and disbursements and other financing uses of \$705,727. The greatest change is due to the fact that the Village had fewer expenses for General Government in 2013 than in 2012.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

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.

The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements and other financing uses were budgeted at \$512,301, while actual disbursements and other financing uses were \$453,783. The actual receipts were able to meet actual disbursements due to FEMA money that was transferred to the General Fund. The major expenses in the General Fund is the Police Department, which has two full-time officers as well as a two part-time officers, and also General Government, which includes salaries and benefits of the Mayor, Village Council and a portion of the Village Administrator.

Debt Administration

At December 31, 2013, the Village's outstanding debt is described as follows: Ohio Water Development Authority Loan of \$757,050 relates to Phase III Sanitary Sewer Separation Project; Ohio Public Works Commission of \$29,750 relates to a storm and sanitary sewer separation project; and OPWC Loan of \$523,718 relates to Phase IV Sanitary Sewer Separation Project. The Village has a storm damage loan with the First National Bank of Pandora, for five years with interest rate of 3.3% and an outstanding balance as of December 31, 2013 of \$28,688. The Village also entered into an Interfund loan of \$40,000 from the Income Tax Fund to the General Fund, for five years with interest rate of 3.3% and has an outstanding balance at December 31, 2013 of \$32,518. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

Current Issues

The challenge for all village 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 2013 the Village paid off the Administration building loan and has been making early payments on the storm damage loan.

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, 102 South Jefferson Street, Pandora, Ohio 45877.

This page intentionally left blank.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Net Position - Cash Basis
December 31, 2013*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$295,538	\$420,278	\$715,816
 Net Position			
Restricted for:			
Capital Projects	\$73,838		\$73,838
Debt Service	87,844	\$91,350	179,194
Unrestricted	133,856	328,928	462,784
 <i>Total Net Position</i>	\$295,538	\$420,278	\$715,816

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2013*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$150,478	\$21,337		\$81,498
Security of Persons and Property	166,683	2,798		
Public Health Services	6,626			
Leisure Time Activities	3,325			
Basic Utility Services	17,469			
Transportation	101,684		\$56,380	
Capital Outlay	80,894			
Debt Service:				
Principal Retirement	85,871			
Interest and Fiscal Charges	1,974			
<i>Total Governmental Activities</i>	<u>615,004</u>	<u>24,135</u>	<u>56,380</u>	<u>81,498</u>
Business Type Activity				
Water	109,762	129,921		
Sewer	176,031	193,428		
Community Center	21,004	25,305		
<i>Total Business Type Activities</i>	<u>306,797</u>	<u>348,654</u>		
Total	<u><u>\$921,801</u></u>	<u><u>\$372,789</u></u>	<u><u>\$56,380</u></u>	<u><u>\$81,498</u></u>

General Receipts

Property Taxes Levied for General Purposes
Municipal Income Taxes
Grants and Entitlements Not Restricted to Specific Programs
Sale of Capital Assets
Rent
Fines License Permits and Fees
Cable Franchise Fees
Interest
Miscellaneous

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$47,643)		(\$47,643)
(163,885)		(163,885)
(6,626)		(6,626)
(3,325)		(3,325)
(17,469)		(17,469)
(45,304)		(45,304)
(80,894)		(80,894)
(85,871)		(85,871)
(1,974)		(1,974)
(452,991)		(452,991)
	20,159	20,159
	17,397	17,397
	4,301	4,301
	41,857	41,857
(452,991)	41,857	(411,134)
32,200		32,200
387,475		387,475
138,767		138,767
27,700		27,700
16,150		16,150
2,556		2,556
5,295		5,295
954		954
22,838	6,004	28,842
633,935	6,004	639,939
180,944	47,861	228,805
114,594	372,417	487,011
\$295,538	\$420,278	\$715,816

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2013*

	General	Street Construction Maintenance and Repair Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$132,690	\$3,437	\$147,165	\$12,246	\$295,538
Fund Balances					
NonSpendable					
Restricted		\$3,437		\$7,486	\$10,923
Committed			\$147,165	4,250	151,415
Assigned				510	510
Unassigned	\$132,690				132,690
<i>Total Fund Balances</i>	\$132,690	\$3,437	\$147,165	\$12,246	\$295,538

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, 2013*

	General	Street Construction Maintenance and Repair Fund	FEMA Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	\$219,992			\$167,483		\$387,475
Property and Other Local Taxes	32,200					32,200
Charges for Services	19,670				\$475	20,145
Fines, Licenses and Permits	2,181				375	2,556
Intergovernmental	147,752	\$52,986	\$68,327		16,865	285,930
Rent				16,150		16,150
Interest	948	6				954
Miscellaneous	3,023	1,430		258		4,711
<i>Total Receipts</i>	<u>425,766</u>	<u>54,422</u>	<u>68,327</u>	<u>183,891</u>	<u>17,715</u>	<u>750,121</u>
Disbursements						
Current:						
General Government	130,975			19,503		150,478
Security of Persons and Property	166,683					166,683
Public Health Services	6,626					6,626
Leisure Time Activities					3,325	3,325
Basic Utility Services	17,469					17,469
Transportation	32,121	58,524			11,039	101,684
Capital Outlay	364			67,961	12,569	80,894
Debt Service:						
Principal Retirement	85,871					85,871
Interest and Fiscal Charges	1,974					1,974
<i>Total Disbursements</i>	<u>442,083</u>	<u>58,524</u>		<u>87,464</u>	<u>26,933</u>	<u>615,004</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,317)</u>	<u>(4,102)</u>	<u>68,327</u>	<u>96,427</u>	<u>(9,218)</u>	<u>135,117</u>
Other Financing Sources (Uses)						
Sale of Notes						
Sale of Capital Assets	27,700					27,700
Other Financing Sources	14,575	3,552				18,127
Transfers In	79,023				3,000	82,023
Transfers Out	(3,000)		(79,023)			(82,023)
Advances In				8,700		8,700
Advances Out	(8,700)					(8,700)
<i>Total Other Financing Sources (Uses)</i>	<u>109,598</u>	<u>3,552</u>	<u>(79,023)</u>	<u>8,700</u>	<u>3,000</u>	<u>45,827</u>
<i>Net Change in Fund Balances</i>	93,281	(550)	(10,696)	105,127	(6,218)	180,944
Fund Balances Beginning of Year	39,409	3,987	\$10,696	42,038	18,464	114,594
<i>Fund Balances End of Year</i>	<u>\$132,690</u>	<u>\$3,437</u>		<u>\$147,165</u>	<u>\$12,246</u>	<u>\$295,538</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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$165,000	\$205,000	\$219,992	\$14,992
Property and Other Local Taxes	35,980	37,119	32,200	(4,919)
Charges for Services	20,000	21,800	19,670	(2,130)
Fines, Licenses and Permits	2,300	2,550	2,181	(369)
Intergovernmental	50,791	128,171	147,752	19,581
Interest	2,000	2,000	948	(1,052)
Miscellaneous	3,000	3,000	3,023	23
<i>Total Receipts</i>	279,071	399,640	425,766	26,126
Disbursements				
Current:				
General Government	93,918	147,552	130,975	16,577
Security of Persons and Property	184,000	186,425	166,683	19,742
Public Health Services	6,300	6,700	6,626	74
Basic Utility Services	18,000	22,267	17,469	4,798
Transportation	23,500	36,429	32,121	4,308
Capital Outlay		400	364	36
Debt Service:				
Principal Retirement	30,000	90,000	85,871	4,129
Interest and Fiscal Charges	2,400	10,828	1,974	8,854
<i>Total Disbursements</i>	358,118	500,601	442,083	58,518
<i>Excess of Disbursements Over Receipts</i>	(79,047)	(100,961)	(16,317)	84,644
Other Financing Source/(Uses)				
Sale of Capital Assets		27,700	27,700	
Transfers In	31,391	47,632	79,023	31,391
Transfers Out	(10,000)	(11,700)	(3,000)	8,700
Advances Out			(8,700)	(8,700)
Other Financing Sources	9,700	14,300	14,575	275
<i>Total Other Financing Sources (Uses)</i>	31,091	77,932	109,598	31,666
<i>Net Change in Fund Balance</i>	(47,956)	(23,029)	93,281	116,310
Fund Balance Beginning of Year	39,409	39,409	39,409	
<i>Fund Balance End of Year</i>	(\$8,547)	\$16,380	\$132,690	\$116,310

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$60,000	\$60,000	\$52,986	(\$7,014)
Interest	10	10	6	(4)
Miscellaneous	14,990	14,990	1,430	(13,560)
<i>Total Receipts</i>	<u>75,000</u>	<u>75,000</u>	<u>54,422</u>	<u>(20,578)</u>
Disbursements				
Current:				
Transportation	78,986	78,986	58,524	20,462
<i>Excess of Disbursements Over Receipts</i>	<u>(3,986)</u>	<u>(3,986)</u>	<u>(4,102)</u>	<u>116</u>
Other Financing Sources				
Other Financing Sources			3,552	(3,552)
<i>Net Change in Fund Balance</i>	(3,986)	(3,986)	(550)	3,436
Fund Balance Beginning of Year	3,987	3,987	3,987	
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$1</u>	<u>\$3,437</u>	<u>\$3,436</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2013*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	
Assets				
Equity in Pooled Cash and Cash Equivalent:	\$84,522	\$306,175	\$29,581	\$420,278
Net Position				
Restricted for:				
Debt Service		\$91,350		\$91,350
Unrestricted	\$84,522	214,825	\$29,581	328,928
Total Net Position	\$84,522	\$306,175	\$29,581	\$420,278

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December, 2013*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	
Operating Receipts				
Charges for Services	\$129,921	\$193,428	\$25,305	\$348,654
Other Operating Receipts	3,598	2,348	58	6,004
<i>Total Operating Receipts</i>	<u>133,519</u>	<u>195,776</u>	<u>25,363</u>	<u>354,658</u>
Operating Disbursements				
Personal Services	39,884	45,939		85,823
Contractual Services	31,316	17,113	13,592	62,021
Materials and Supplies	25,914	9,491	1,535	36,940
Other	1,874	2,700		4,574
<i>Total Operating Disbursements</i>	<u>98,988</u>	<u>75,243</u>	<u>15,127</u>	<u>189,358</u>
<i>Operating Income</i>	<u>34,531</u>	<u>120,533</u>	<u>10,236</u>	<u>165,300</u>
Non-Operating Disbursements				
Capital Outlay			(5,877)	(5,877)
Principal Payments		(91,350)		(91,350)
Other Financing Uses	(10,774)	(9,438)		(20,212)
<i>Total Non-Operating Disbursements</i>	<u>(10,774)</u>	<u>(100,788)</u>	<u>(5,877)</u>	<u>(117,439)</u>
<i>Change in Net Position</i>	23,757	19,745	4,359	47,861
Net Position Beginning of Year	60,765	286,430	25,222	372,417
<i>Net Position End of Year</i>	<u>\$84,522</u>	<u>\$306,175</u>	<u>\$29,581</u>	<u>\$420,278</u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 Village Council elected at large for four-year terms. The Mayor is elected to a four-year term, serves as President of Village Council 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 primary government of the Village of Pandora provides the following services to its citizens: police protection, parks and recreation, building inspection, street maintenance and repairs, water and sewer services. Village Council has direct responsibility for these services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Public Entity Risk Pools

The Village participates in a public entity risk pool Note 8 to the financial statements provides additional information for this entity. The organization is the Public Entities 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 the "Basis of Accounting" section of this note, 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. Following are the more significant of the Village's accounting policies.

A Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position, 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 position 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 in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance and debt of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental and business-type activities. Disbursements are reported by function. A function is 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program or business activity is a 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 in order 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. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating 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 non-operating.

B Fund Accounting

The Village uses funds 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. The funds of the Village are presented in two categories: governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General: The General Fund accounts for and reports all financial resources not accounted for and reported 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.

Street Construction, Maintenance, and Repair: The street construction, maintenance, and repair fund accounts for that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

Federal Emergency Management Agency (FEMA): The FEMA accounted for a Federal Grant to help pay for storm damage within the Village.

Income Tax Fund: 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 or committed 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 treatment and distribution 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 cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

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, except agency 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 annual limits on cash disbursements plus encumbrances at the level of control selected by the Village Council.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

The legal level of control has been established by Village Council at the fund, department 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 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 certificate 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, including amounts automatically carried forward from prior years. 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”.

The Village uses a fiscal agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “cash and cash equivalents with fiscal agents” and represent deposits or short-term investments in certificates of deposit.

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 financial statements as cash equivalents.

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

During 2013, the Village invested in non-negotiable certificates of deposit. The non-negotiable 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 2013 was \$948 which includes \$812 assigned from other Village funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted. Restricted Assets in the enterprise funds represent amounts set aside to satisfy bond indenture requirements for current and future debt payments and the replacement and improvement of capital assets originally acquired with bond proceeds.

G. 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.

H. 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.

I. 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. The fund financial statements report long-term interfund loans as “advances to/from other funds.” Repayment is expected to be made within five (5) years.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for up to 30 days for unused leave. Unpaid leave is not reflected as a liability under the Village’s cash basis of accounting.

K. 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 postretirement health care benefits.

L. 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.

M. Net Position

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

The Village’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

The balance of \$4,250 in the Park Capital Improvement Fund as of December 31, 2013 is restricted by enabling legislation.

N. 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by legislation.

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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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

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.

O. 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 non-operating 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 – Accountability and Compliance

Certain of the Village's transactions were not certified by the Fiscal Officer as of December 31, 2013 contrary to the Ohio Revised Code. The Village also entered into a contract without performing the proper bidding procedures contrary to the Ohio Revised Code.

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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are 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 in the General Fund.

Note 5 - Deposits and Investments

Monies held by the Village are classified by State statute into one category.

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 Village Council would identify as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificate 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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 deposits 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 two 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).

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Note 5 - Deposits and Investments – (Continued)

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".

Deposits

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, \$476,646 of the Village's bank balance of \$726,646 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. Only 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.

Note 6 – Income Taxes

The Village levies a 1.5 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities that have an income tax less than 1.5 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

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 taxes received in 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, 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 semi-annually, payment is due December 31st; if paid semi-annually, 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 2013 represent the collection of 2012 taxes. Public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2012, were levied after October 1, 2012, 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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Note 7 – Property Taxes – (Continued)

The full tax rate for all Village operations for the year ended December 31, 2012, was \$2.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property	
Residential	\$14,562,530
Agriculture	169,570
Commercial/Industrial/Mineral	2,096,920
Public Utility Property	
Personal	569,530
Total Assessed Value	<u>\$17,398,550</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

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 Villages. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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 Villages 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, 2012, 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 Village.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Note 8 – Risk Management – (Continued)

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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member Villages in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$20,000.

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.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2012</u>
\$23,817	\$23,579

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Note 9 – Defined Benefit Pension Plans – (Continued)

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.

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, 2013, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12 percent and 12.6 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 2013, member and employer contribution rates were consistent across all three plans.

The Village's 2013 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the Village'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 and Combined Plan was 1 percent for 2013. 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, 2013, 2012, and 2011 were \$25,457, \$27,758, and \$24,499, respectively; 88 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

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 pension 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.

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Note 9 – Defined Benefit Pension Plans – (Continued)

required to contribute 10.75% of their annual covered salary. Throughout 2013 employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2013, 2012, and 2011 were \$14,620, \$14,526, and \$17,395, respectively; 93 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

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.

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 2013, state and local employers contributed at a rate of 14 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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Note 9 – Defined Benefit Pension Plans – (Continued)

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 and Combined Plan was 1 percent for 2013.

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, 2013, 2012, and 2011 were, \$1,818, \$7,931, and \$7,000, respectively; 85 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

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.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 postemployment health care plan administered by OP&F. OP&F provides healthcare 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 statutory survivor benefit 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 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 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. That report is also available on OP&F's website at www.op-f.org.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Note 9 – Defined Benefit Pension Plans – (Continued)

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 to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. 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. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. 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 for the years ending December 31, 2013, 2012, and 2011 were \$2,683, \$5,028, and \$6,021, respectively; 93 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

Note 11 – Debt

The Village's long-term debt activity for the year ended December 31, 2013, was as follows:

	Principal Outstanding 12/31/2012	Additions	Reductions	Principal Outstanding 12/31/2013	Amount Due in One Year
Governmental Activities					
Ohio Public Works Commission Loan (CM109)	\$38,250		\$8,500	\$29,750	\$8,500
Ohio Water Development Authority Loan (4138)	820,137		63,087	757,050	63,087
Ohio Public Works Commission Loan (CT58M)	543,481		19,763	523,718	19,763
Building Purchase Bank Loan 2.5%	20,717		20,717		
Storm Damage Bank Loan 3.3%	93,842		65,154	28,688	21,118
Interfund Loan 3.3%	40,000		7,482	32,518	7,732
Total	\$1,556,427		\$184,703	\$1,371,724	\$120,200

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

Note 11 – Debt – (Continued)

The Ohio Water Development Agency (OWDA) loan approved in 2006, for \$1,336,930, is a loan for Phase III of the Sewer Separation Project. This loan was adjusted due to \$75,181 of undisbursed funds being removed from the original loan. Thus an adjustment was made in 2009 to reflect an ending balance for 2009 \$1,040,943. This loan will be repaid in semiannual installments of \$31,544 with zero interest over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan (CM109) related to a storm and sanitary sewer separation project. The OPWC approved \$170,000 in a zero percent interest loan to the Village for this project in 1996. The loan is being repaid in semiannual installments of \$4,250 over 20 years. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The OPWC loan (CT58M) in the amount of \$770,155 is for Phase IV-Sewer Separation Project. This loan is for 30 years, with no interest. Payments are \$9,881 semi-annually. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Fort Jennings Bank loan of \$50,000 was signed on January 5, 2010 for a term of five years, with an interest rate of 2.52%, and monthly payments of \$888. The purpose of this loan was for the purchase of the Village Administrator office and maintenance building. This loan was paid off early and extinguished during 2013.

The First National Bank of Pandora loan of \$100,000 was signed on August 7, 2012. The term is for five years with an interest rate of 3.3% and monthly payments of \$1,812. The purpose of this loan is for the expenses the Village incurred as a result of the Derecho storm on June 29, 2012. Village has made early payments on this with Federal Emergency Management Agency monies.

On December 11, 2012, the Village Council loaned \$40,000 from the Income Tax Fund to the General Fund in order to have a positive balance in the General Fund. This loan will be paid over 5 years with an interest rate of 3.3%. According to Resolution No. 2012-613, annual payments of \$8,689, including interest will be paid.

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

Year	OWDA Loan	OPWC Loans	Storm Damage Bank Loan		Interfund Loan	
	Principal	Principal	Principal	Interest	Principal	Interest
2014	\$63,087	\$28,263	\$21,118	\$629	\$7,732	\$957
2015	63,087	28,263	7,570	55	7,991	698
2016	63,087	28,263			8,259	430
2017	63,087	24,013			8,536	153
2018	63,087	19,763				
2019-2023	315,434	98,815				
2024-2028	126,181	98,815				
2029-2033		98,815				
2034-2038		98,815				
2039-2040		29,643				
Totals	<u>\$757,050</u>	<u>\$553,468</u>	<u>\$28,688</u>	<u>\$684</u>	<u>\$32,518</u>	<u>\$2,238</u>

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

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	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Road Improvement		\$3,437		\$6,104	\$9,541
Police Operations				1,382	1,382
Total Restricted		3,437		7,486	10,923
Committed for:					
Capital Outlay			\$147,165	4,250	151,415
Total Committed			147,165	4,250	151,415
Assigned for:					
Recreation				510	510
Total Assigned				510	510
Unassigned	\$132,690				132,690
Total Fund Balance	\$132,690	\$3,437	\$147,165	\$12,246	\$295,538

Note 13 – Interfund Transfers/Advances

In 2013, the Federal Emergency Management Agency Fund transferred \$79,023 to the General Fund. The General fund transferred \$3,000 to the Park Fund. The Village also advanced \$8,700 from the General Fund to the Income Tax Fund.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Village of Pandora
Putnam County
PO Box 193
Pandora, Ohio 45877-0193

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 13, 2014 wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-003 and 2013-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

May 13, 2014

VILLAGE OF PANDORA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013

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

FINDING NUMBER 2013-001

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 2013 financial statements contained material errors, such as the following:

- Intergovernmental receipts of the Street Construction, Maintenance Repair Fund in the amount of \$52,986 was posted as Charges for Service and Sales of Governmental Activities on the Statement of Activities when they should have been classified as Operating Grants and Contributions.
- Intergovernmental receipts in the State Highway Fund totaling \$3,394 were recorded as general receipts of Governmental Activities on the Statement of Activities, when they should have been posted as Operating Grants and Contributions.
- Federal Emergency Management Agency grant totaling \$81,498 was recorded as general receipts of Governmental Activities on the Statement of Activities instead of program cash receipts.

Adjusting entries were posted to the financial statements to reflect these and other errors ranging from \$3,394 to \$81,498.

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 2013-002

Material Weakness

Posting of Estimated Receipts

Estimated resources reported on the accounting system differed from the amounts approved by the Village Council and submitted to the County Auditor on December 31, 2013 by the following amount:

<u>Fund</u>	<u>Approved Estimated Revenues</u>	<u>Posted Estimated Revenues</u>	<u>Difference Over/(Under)</u>
General Fund	\$477,224	\$532,892	\$55,650

This resulted in inaccurate budgetary reports which could make it difficult for management to make informed decisions whether the Village's actual receipts are sufficient to support appropriated disbursements. Adjusting entries were posted to the budgetary statements to correct these errors.

**FINDING NUMBER 2013-002
(Continued)**

We recommend that estimated receipts be posted based on amounts certified by the County Auditor and County Budget Commission. As part of the monitoring process, the Treasurer and Village Council should review the records to ensure that all budgeted amounts are properly reflected in the appropriate funds and the actual receipts are sufficient to cover appropriated disbursements.

FINDING NUMBER 2013-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 can authorize the drawing of a warrant for the payment of the amount due. The Village 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.

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 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.

Fifty-three percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and did not have a properly executed "then and now" certificate. In addition, all the expenditures that were certified, were certified using a "then and now" certificate. Failure to properly certify the availability of funds prior to the commitment being made can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2013-003
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used. We further recommend any "then and now" certificates over \$3,000 be approved by Village Council.

FINDING NUMBER 2013-004

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 § 713.23 or § 125.04 or § 5513.01 of the Revised Code, available from a qualified nonprofit agency pursuant to §§ 4115.31 to 4115.35 of the Revised Code, or required to be purchased from a qualified nonprofit agency under §§ 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 entered into a contract for road work totaling \$73,630 in 2013 without bidding the project. This could result in the Village paying a higher amount for contracts. We recommend the Village Council follow the legal bidding requirements of 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, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2012-001	Financial Reporting recommendation for financial statement errors.	No	Finding has not been corrected and is repeated in this report as item 2013-001.
2012-002	Ohio Revised Code § 5705.41(D) regarding proper certification of expenditures.	No	Finding has not been corrected and is repeated in this report as item 2013-003.

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
MAY 29, 2014**