



Dave Yost • Auditor of State

VILLAGE OF PANDORA
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Pandora, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 such 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Pandora, Putnam County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2018

**VILLAGE OF PANDORA
PUTNAM COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$34,885			\$34,885
Municipal Income Tax	289,582		\$193,055	482,637
Intergovernmental	29,242	\$85,906	192,257	307,405
Charges for Services	9,539			9,539
Fines, Licenses and Permits	7,960	49		8,009
Earnings on Investments	4,009	134		4,143
Miscellaneous	19,064	1,552	26,171	46,787
<i>Total Cash Receipts</i>	<u>394,281</u>	<u>87,641</u>	<u>411,483</u>	<u>893,405</u>
Cash Disbursements				
Current:				
Security of Persons and Property	200,466			200,466
Public Health Services	6,168			6,168
Leisure Time Activities		2,369		2,369
Basic Utility Services			376,676	376,676
Transportation	19,926	64,343		84,269
General Government	110,436	3,949	36,508	150,893
Capital Outlay	3,468		116,944	120,412
<i>Total Cash Disbursements</i>	<u>340,464</u>	<u>70,661</u>	<u>530,128</u>	<u>941,253</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,817</u>	<u>16,980</u>	<u>(118,645)</u>	<u>(47,848)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			201,676	201,676
Sale of Capital Assets			13,909	13,909
Transfers In		3,000		3,000
Transfers Out	(3,000)			(3,000)
Advances In			8,686	8,686
Advances Out	(8,686)			(8,686)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(11,686)</u>	<u>3,000</u>	<u>224,271</u>	<u>215,585</u>
<i>Net Change in Fund Cash Balances</i>	42,131	19,980	105,626	167,737
<i>Fund Cash Balances, January 1</i>	<u>110,115</u>	<u>26,598</u>	<u>394,006</u>	<u>530,719</u>
Fund Cash Balances, December 31				
Restricted		46,578		46,578
Committed			499,632	499,632
Assigned	143,746			143,746
Unassigned	8,500			8,500
<i>Fund Cash Balances, December 31</i>	<u>\$152,246</u>	<u>\$46,578</u>	<u>\$499,632</u>	<u>\$698,456</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$391,571
Miscellaneous	32,710
	424,281
<i>Total Operating Cash Receipts</i>	<i>424,281</i>
Operating Cash Disbursements	
Personal Services	95,396
Employee Fringe Benefits	49,544
Contractual Services	66,819
Supplies and Materials	17,460
Other	672
	229,891
<i>Total Operating Cash Disbursements</i>	<i>229,891</i>
<i>Operating Income</i>	<i>194,390</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	40,000
Other Debt Proceeds	13,000
Miscellaneous Receipts	890
Capital Outlay	(190,646)
Principal Retirement	(87,100)
	(223,856)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(223,856)</i>
<i>Loss before Capital Contributions</i>	<i>(29,466)</i>
Capital Contributions	37,314
	7,848
<i>Net Change in Fund Cash Balances</i>	<i>7,848</i>
<i>Fund Cash Balances, January 1</i>	<i>464,145</i>
<i>Fund Cash Balances, December 31</i>	<i>\$471,993</i>

See accompanying notes to the basic financial statements

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 - Reporting Entity

The Village of Pandora (the Village), Putnam County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services, building inspection, street maintenance and repairs. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. 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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

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 below:

General Fund 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Permissive Tax Fund This fund receives a portion of the motor vehicle license tax fees for street repaving projects.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

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.

Water Line Replacement Project Fund This fund was established for the North High Street and South Jefferson Street water main replacement project. OPWC Grant and Loan money was received and expensed from this fund.

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund receives charges for services from residents and businesses and accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund receives charges for services from residents and businesses and accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

VILLAGE OF PANDORA
 PUTNAM COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$393,699	\$394,281	\$582
Special Revenue	103,936	90,641	(13,295)
Capital Projects	636,133	635,754	(379)
Enterprise	513,635	515,485	1,850
Total	\$1,647,403	\$1,636,161	(\$11,242)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$524,937	\$356,374	\$168,563
Special Revenue	130,973	71,362	59,611
Capital Projects	1,080,223	530,474	549,749
Enterprise	992,187	510,151	482,036
Total	\$2,728,320	\$1,468,361	\$1,259,959

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2017 \$892,226
Certificates of deposit	278,223
Total deposits	\$1,170,449

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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 the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

VILLAGE OF PANDORA
 PUTNAM COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

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>2017 Contributions to PEP</u>
<u>\$ 17,559</u>

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 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

VILLAGE OF PANDORA
 PUTNAM COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

Social Security

Several of the Village's officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (4138)	\$504,701	0%
Ohio Public Works Commission (CT58M)	444,666	0%
Ohio Public Works Commission (CM13T)	201,676	0%
First National Bank (Comm. Center)	200,000	4.38%
Total	\$1,351,043	

The Ohio Water Development Authority (OWDA) loan (4138) approved in 2006 for \$1,336,930 is a loan for Phase III of the Sewer Separation Project. This loan was adjusted in 2009 due to \$75,181 of undisbursed funds being removed from the original loan. In 2009, an adjustment was made to reflect an ending balance of \$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 (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 Ohio Public Works Commission (OPWC) loan (CM13T) in the amount of \$201,676 is for the water line replacement project that was done in 2017 for North High and South Jefferson Streets. This loan is for 20 years, no interest, with semi-annual payments of \$5,042. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The First National Bank loan is for the Community Center Restroom Project Addition that began in 2017. This loan is a draw down line of credit in the amount of \$200,000 during the construction period with advancements being made as contractor bills become due. Semi-annual interest only payments are due in 2018 with semi-annual principal and interest payments of \$9,203 beginning in 2019 for 15 years. The Community Center Committee initiated a Capital Campaign in 2017 to raise money for this project and donations received go towards this debt.

VILLAGE OF PANDORA
 PUTNAM COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

Amortization

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

Year Ending December 31:	OPWC Loan (CT58M)	OPWC Loan (CM13T)	OWDA Loan (4138)	First National Bank Loan
2018	\$19,763	\$5,042	\$63,087	\$8,872
2019	19,763	10,084	63,087	18,405
2020	19,763	10,084	63,087	18,405
2021	19,763	10,084	63,087	18,405
2022	19,763	10,084	63,087	18,405
2023-2027	98,815	50,420	189,266	92,025
2028-2032	98,815	50,420		92,025
2033-2037	98,815	50,420		18,405
2038-2040	49,406	5,038		
Total	<u>\$444,666</u>	<u>\$201,676</u>	<u>\$504,701</u>	<u>\$284,947</u>

Note 10 – Construction and Contractual Commitments

In November 2017, construction began on the Village's Community Center for the Restroom Addition Project. The project was awarded to Schimmoeller Construction located in Kalida, Ohio with a base bid of \$282,999. The Village has received a \$40,000 grant towards this project from the State of Ohio Community Development Block Grant (CDBG) Revolving Loan Fund through the Putnam County Commissioners. The Community Center Committee is also conducting a Capital Campaign to raise funds for this project. A \$200,000 loan has been secured with The First National Bank of Pandora for this project.

Note 11 – Subsequent Events

The Village is the recipient of an \$80,000 Ohio Public Works Commission (OPWC) grant in the summer of 2018 to upgrade curbs and gutters along the south side of State Route 12. The total project cost is \$100,000.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$32,435			\$32,435
Municipal Income Tax	349,506		\$191,952	541,458
Intergovernmental	29,642	\$67,040		96,682
Charges for Services	8,938			8,938
Fines, Licenses and Permits	6,651			6,651
Earnings on Investments	2,902	125		3,027
Miscellaneous	14,288	5,940	24,249	44,477
<i>Total Cash Receipts</i>	<u>444,362</u>	<u>73,105</u>	<u>216,201</u>	<u>733,668</u>
Cash Disbursements				
Current:				
Security of Persons and Property	175,088			175,088
Public Health Services	5,551			5,551
Leisure Time Activities		10,054		10,054
Basic Utility Services	13,424			13,424
Transportation	25,940	61,687		87,627
General Government	95,533	6,265	39,661	141,459
Capital Outlay	3,571		102,349	105,920
<i>Total Cash Disbursements</i>	<u>319,107</u>	<u>78,006</u>	<u>142,010</u>	<u>539,123</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>125,255</u>	<u>(4,901)</u>	<u>74,191</u>	<u>194,545</u>
Other Financing Receipts (Disbursements)				
Transfers In		6,000		6,000
Transfers Out	(6,000)			(6,000)
Advances In			17,380	17,380
Advances Out	(17,380)			(17,380)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(23,380)</u>	<u>6,000</u>	<u>17,380</u>	
<i>Net Change in Fund Cash Balances</i>	101,875	1,099	91,571	194,545
<i>Fund Cash Balances, January 1</i>	<u>8,240</u>	<u>25,499</u>	<u>302,435</u>	<u>336,174</u>
Fund Cash Balances, December 31				
Restricted		26,598		26,598
Committed			394,006	394,006
Assigned	110,115			110,115
<i>Fund Cash Balances, December 31</i>	<u>\$110,115</u>	<u>\$26,598</u>	<u>\$394,006</u>	<u>\$530,719</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$367,053
Miscellaneous	41,848
	408,901
Operating Cash Disbursements	
Personal Services	155,691
Contractual Services	83,862
Supplies and Materials	21,312
Other	2,344
	263,209
<i>Total Operating Cash Receipts</i>	<i>408,901</i>
<i>Operating Income</i>	<i>145,692</i>
Non-Operating Disbursements	
Capital Outlay	(34,773)
Principal Retirement	(91,350)
	(126,123)
<i>Total Non-Operating Disbursements</i>	<i>(126,123)</i>
<i>Net Change in Fund Cash Balances</i>	<i>19,569</i>
<i>Fund Cash Balances, January 1</i>	<i>444,576</i>
<i>Fund Cash Balances, December 31</i>	<i>\$464,145</i>

See accompanying notes to the basic financial statements

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - Reporting Entity

The Village of Pandora (the Village), Putnam County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services, building inspection, street maintenance and repairs. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. 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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

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 below:

General Fund 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

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.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund receives charges for services from residents and businesses and accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Sewer Fund The sewer fund receives charges for services from residents and businesses and accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

VILLAGE OF PANDORA
 PUTNAM COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$465,373	\$444,362	(\$21,011)
Special Revenue	94,225	79,105	(15,120)
Capital Projects	268,670	233,581	(35,089)
Enterprise	483,900	408,901	(74,999)
Total	\$1,312,168	\$1,165,949	(\$146,219)

VILLAGE OF PANDORA
 PUTNAM COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$474,303	\$362,921	\$111,382
Special Revenue	119,724	78,445	41,279
Capital Projects	570,414	192,785	377,629
Enterprise	928,476	403,739	524,737
Total	\$2,092,917	\$1,037,890	\$1,055,027

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2016
Demand deposits	\$715,117
Certificates of deposit	279,747
Total deposits	\$994,864

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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.

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

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.

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2016 Contributions to PEP \$ 24,317
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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 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Several of the Village's officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission (CM019)	\$4,250	0%
Ohio Water Development Authority (4138)	567,789	0%
Ohio Public Works Commission (CT58M)	464,429	0%
Interfund Loan	8,536	3.3%
Total	\$1,045,004	

The Ohio Public Works Commission (OPWC) loan (CM019) 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 Ohio Water Development Authority (OWDA) loan (4138) approved in 2006 for \$1,336,930 is a loan for Phase III of the Sewer Separation Project. This loan was adjusted in 2009 due to \$75,181 of undisbursed funds being removed from the original loan. In 2009, an adjustment was made to reflect an ending balance of \$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 (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.

On December 11, 2012, the Village 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.

Amortization

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

Year Ending December 31:	OPWC Loan (CT58M)	OPWC Loan (CM019)	OWDA Loan (4138)	Interfund Loan
2017	\$19,763	\$4,250	\$63,087	\$8,686
2018	19,763		63,087	
2019	19,763		63,087	
2020	19,763		63,087	
2021	19,763		63,087	
2022-2026	98,815		252,354	
2027-2031	98,815			
2032-2036	98,815			
2037-2040	69,169			
Total	\$464,429	\$4,250	\$567,789	\$8,686

VILLAGE OF PANDORA
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 10 – Subsequent Events

The Village will be the recipient of a \$175,000 Ohio Public Works Commission (OPWC) grant for the reconstruction of the 1950s water lines on Jefferson Street and North High Street. The Village has secured an OPWC loan of \$201,676 towards this project with the Village contributing 15% of the total estimated cost of \$507,755. The Village is also the recipient of an \$80,000 OPWC grant in the summer of 2018, to upgrade curbs and gutters along the south side of State Route 12. The total project cost is \$100,000.



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
P.O. 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 cash balances, receipts, and disbursements by fund type of the Village of Pandora, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report 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

November 21, 2018

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following adjustments are included in the accompanying 2017 and 2016 financial statements:

- In 2017, the fund balance classification of the General Fund was incorrectly classified as unassigned instead of assigned in the amount of \$143,746.
- In 2016, interfund loan re-payments from the General Fund to the Income Tax Fund in the amount of \$17,380 were incorrectly classified as transfers instead of advances.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to Council making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors. Additional errors were noted in smaller relative amounts and for additional reasons.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook and Audit Bulletin 2011-004 for information on GASB Statement No. 54. The Village Council should also review the Village's statements to help ensure all transactions are being properly posted to the financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

Village of Pandora

P.O. Box 193

Pandora, Ohio 45877-193

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance citation on Ohio Rev. Code 2915.092(A)(1) for improper fundraisers conducted.	Corrective action taken and finding is fully corrected.	
2015-002	Finding was first issued in the 2006-2007 audit. Material weakness regarding financial reporting due to errors on the financial statements.	Not corrected. Reissued as finding 2017-001 in this report.	Recurrence due to inadequate policies and procedures in reviewing the financial statements, bulletins, and the Revised Code. Village Council will perform detailed review of financial information to ensure fund balances and debt activity are properly reported.
2015-003	Material weakness regarding the Community Center fundraiser supporting documentation.	Corrective action taken and finding is fully corrected.	



Dave Yost • Auditor of State

VILLAGE OF PANDORA

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 18, 2018