



Mary Taylor, CPA
Auditor of State

VILLAGE OF PANDORA
PUTNAM COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pandora, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pandora, Putnam County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the budgetary comparison for the General Fund, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 25, 2010

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

This discussion and analysis of the Village of Pandora, Putnam County, Ohio (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2008, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2008 are as follows:

- Net assets of governmental activities decreased by \$95,429, a significant change from the prior year. This is due to significant expenditures in the Income Tax Fund, "Capital Expenditures". The major expenses were major street repairs of \$68,277 for work completed in 2007, but not paid until early 2008 and additional street repairs of \$25,000 late in 2008.
- Net assets decreased in the business-type activities by \$39,615. Reasons for this decrease are as follows:
 - The Water Fund revenue is not keeping up with the expenses.
 - The debt being paid out of the Sewer Fund plus replacement of manholes attributed to the decrease.
 - The Community Center Fund had major capital expenditures.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

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

Reporting the Village as a Whole

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

The statement of net assets and the statement of activities reflect how the Village did financially during 2008, within the limitations of cash accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

Reporting the Village's Most Significant Funds

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

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 governmental funds are the General 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.

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis:
(Table 1)

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Cash and Cash Equivalents	<u>\$400,381</u>	<u>\$495,810</u>	<u>\$322,830</u>	<u>\$362,445</u>	<u>\$723,211</u>	<u>858,255</u>
Net Assets						
Restricted for:						
Capital Outlay	239,714	327,114			239,714	327,114
Other Purposes	46,441	69,430			46,441	69,430
Unrestricted	<u>114,226</u>	<u>99,266</u>	<u>322,830</u>	<u>362,445</u>	<u>437,056</u>	<u>461,711</u>
Total Net Assets	<u>\$400,381</u>	<u>\$495,810</u>	<u>\$322,830</u>	<u>\$362,445</u>	<u>\$723,211</u>	<u>\$858,255</u>

As mentioned previously, net assets of governmental activities decreased by \$95,429. The net assets in business-type activities decreased by \$39,615. The primary reasons for contributing to the decreases are as follows:

- The Income Tax Fund had major capital expenditures for 2008. The street repairs of \$68,277 which were completed in late 2007 were not paid until early 2008. This fund also had additional street repairs for 2008 in the amount of \$25,000.
- The decrease of \$39,615 in the business-type activity funds is due to:
 - The Water Fund is not keeping up with the operating expenses;
 - The Sewer Fund – debt expenses of \$86,672 and capital expenditures of \$2,600;
 - The Community Center Fund had capital outlay expenses of \$6,907 plus hired a Scheduling Secretary for \$2,600.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in years 2008 and 2007 on a cash basis:

(Table 2)
Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Business Type Activities 2008	Business Type Activities 2007	Total 2008	Total 2007
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$26,591	\$26,862	\$385,082	\$378,642	\$411,673	\$405,504
Operating Grants and Contributions	60,756	67,044			60,756	67,044
Capital Grants and Contributions		35,550				35,550
Total Program Receipts	87,347	129,456	385,082	378,642	472,429	508,098
General Receipts:						
Property and Other Local Taxes	35,896	39,807			35,896	39,807
Income Taxes	341,746	331,002			341,746	331,002
Grants and Entitlements Not Restricted to Specific Programs	108,219	57,195			108,219	57,195
Cable Franchise Fees	3,774	3,877			3,774	3,877
Gifts and Contributions	3,500				3,500	
Insurance Proceeds			23,000		23,000	
Interest	24,165	26,184			24,165	26,184
Miscellaneous	10,097	3,604		5,041	10,097	8,645
Total General Receipts	527,397	461,669	23,000	5,041	550,397	466,710
Total Receipts	614,744	591,125	408,082	383,683	1,022,826	974,808
Disbursements:						
General Government	157,544	108,520			157,544	108,520
Security of Persons and Property	184,719	156,615			184,719	156,615
Public Health Services	7,049	5,320			7,049	5,320
Leisure Time Activities	4,764	4,145			4,764	4,145
Basic Utilities	16,715	13,549			16,715	13,549
Transportation	73,279	57,550			73,279	57,550
Capital Outlay	266,103	123,839			266,103	123,839
Water			125,330	142,168	125,330	142,168
Sewer			286,103	228,827	286,103	228,827
Community Center			36,264	22,663	36,264	22,663
Total Disbursements	710,173	469,538	447,697	393,658	1,157,870	863,196
Increase (Decrease) in Net Assets	(95,429)	121,587	(39,615)	(9,975)	(135,044)	111,612
Net Assets, January 1	495,810	374,223	362,445	372,420	858,255	746,643
Net Assets, December 31	\$400,381	\$495,810	\$322,830	\$362,445	\$723,211	\$858,255

Program receipts represent only 46 percent of total receipts in 2008 and 52 percent of total receipts in 2007 and are primarily comprised of receipts for services charged for the provision of water and the removal of wastewater to our customers.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

General receipts represent 54 percent in 2008 and 48 percent in 2007 of the Village's total receipts, and of this amount, over 62 percent for 2008 are income taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay and security of persons and property, which account for \$450,822 or 64 percent of all government disbursements, respectively. General government also represents about 22 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented below.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Total Cost Of Services	Net Cost of Services	Net Cost of Services
	2008	2007	2008	2007
General Government	\$157,544	\$108,520	\$155,041	\$102,436
Security of Persons and Property	184,719	156,615	160,631	135,837
Public Health Services	7,049	5,320	7,049	5,320
Leisure Time Activities	4,764	4,145	4,764	4,145
Basic Utilities	16,715	13,549	16,715	13,549
Transportation	73,279	57,550	12,523	(9,494)
Capital Outlay	266,103	123,839	266,103	88,289
Total Expenses	<u>\$710,173</u>	<u>\$469,538</u>	<u>\$622,826</u>	<u>\$340,082</u>

The dependence upon property and income tax receipts is apparent as approximately 53 percent of governmental activities are supported through these general receipts.

Business-type Activities

The Village has two major business type activities, the provision of water and sewer, which are accounted for in the Water Operating Fund and the Sewer Operating Fund. The significant increase in expenses in Materials/Supplies and Contractual Services is primarily due to engineering fees paid for a future water tower project.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The Village's Funds

Total governmental funds had receipts and other financing sources of \$620,744 and disbursements and other financing uses of \$716,173. The greatest change is due to the fact of several capital expenditures in 2008 which were for street repairs as opposed to very little capital expenditures in 2007.

General Fund Budgeting Highlights

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

Final receipts were budgeted at \$277,467 while actual receipts were \$364,883.

Final disbursements and other financing uses were budgeted at \$374,048 while actual disbursements and other financing uses were \$349,923. The result is increase in fund balance of \$14,960 for 2008.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2008, the Village's outstanding debt included \$1,082,064 in Ohio Water Development Authority loans and a \$72,250 Ohio Public Works Commission Loan. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

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

The Village is under an EPA mandate to have the final sewer phase, Phase IV completed by December 31, 2010. The engineer's estimate for this project is \$1,356,263. Thus, we have applied for Issue I funding and at the present time this application has been submitted to Small Governments for possible funding of \$500,000. The remainder of this project would be funded under Ohio Water Development Authority in a loan with approximately \$200,000 of Village funds being used to pay for this project. Also, the St. John Mennonite Church located east of town has requested water and sewer facilities of the Village. At the present time the Village's cost for this project is estimated to be \$153,700 with the St. John Mennonite Church paying an additional \$407,300. In light of the economic situation of the Country, no other major spending is anticipated.

Contacting the Village's Financial Management

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Net Assets -Cash Basis
December 31, 2008*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$400,381	\$322,830	\$723,211
 Net Assets			
Restricted for:			
Capital Projects	\$239,714		\$239,714
Other Purposes	46,441		\$46,441
Unrestricted	114,226	\$322,830	437,056
<i>Total Net Assets</i>	\$400,381	\$322,830	\$723,211

See accompanying notes to the financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2008*

	Cash Disbursements	Program Cash Receipts	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
General Government	\$157,544	\$2,503	
Security of Persons and Property	184,719	24,088	
Public Health Services	7,049		
Leisure Time Activities	4,764		
Basic Utility Services	16,715		
Transportation	73,279		\$60,756
Capital Outlay	266,103		
<i>Total Governmental Activities</i>	710,173	26,591	60,756
Business Type Activities			
Water	125,330	114,193	
Sewer	286,103	239,199	
Community Center	36,264	31,690	
<i>Total Business Type Activities</i>	447,697	385,082	
Total	\$1,157,870	\$411,673	\$60,756

General Receipts

Property Taxes Levied for General Purposes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Cable Franchise Fees
Gifts and Contributions
Interest
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$155,041)		(\$155,041)
(160,631)		(160,631)
(7,049)		(7,049)
(4,764)		(4,764)
(16,715)		(16,715)
(12,523)		(12,523)
(266,103)		(266,103)
(622,826)		(622,826)
	(\$11,137)	(11,137)
	(46,904)	(46,904)
	(4,574)	(4,574)
	(62,615)	(62,615)
(622,826)	(62,615)	(685,441)
35,896		35,896
341,746		341,746
108,219		108,219
3,774		3,774
3,500		3,500
24,165		24,165
10,097	23,000	33,097
527,397	23,000	550,397
(95,429)	(39,615)	(135,044)
495,810	362,445	858,255
<u>\$400,381</u>	<u>\$322,830</u>	<u>\$723,211</u>

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008*

	General	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$114,226	\$239,714	\$46,441	\$400,381
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	\$114,226			\$114,226
Special Revenue Funds			\$46,441	46,441
Capital Projects Funds		\$239,714		239,714
<i>Total Fund Balances</i>	\$114,226	\$239,714	\$46,441	\$400,381

See accompanying notes to the 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, 2008*

	General	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal Income Taxes	\$170,873	\$170,873		\$341,746
Property and Other Local Taxes	35,896			35,896
Charges for Services	15,091	8,777	\$220	24,088
Cable Franchise Fees	3,774			3,774
Fines, Licenses and Permits	2,280		223	2,503
Gifts and Donations			3,500	3,500
Intergovernmental	108,219		60,756	168,975
Interest	24,109		56	24,165
Miscellaneous	4,641	2,515	2,941	10,097
<i>Total Receipts</i>	<u>364,883</u>	<u>182,165</u>	<u>67,696</u>	<u>614,744</u>
Disbursements				
Current:				
General Government	129,583	27,961		157,544
Security of Persons and Property	184,449		270	184,719
Public Health Services	7,049			7,049
Leisure Time Activities			4,764	4,764
Basic Utility Services	16,715			16,715
Transportation	6,127		67,152	73,279
Capital Outlay		244,548	21,555	266,103
<i>Total Disbursements</i>	<u>343,923</u>	<u>272,509</u>	<u>93,741</u>	<u>710,173</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,960</u>	<u>(90,344)</u>	<u>(26,045)</u>	<u>(95,429)</u>
Other Financing Sources (Uses)				
Transfers In			6,000	6,000
Transfers Out	(6,000)			(6,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,000)</u>		<u>6,000</u>	
<i>Net Change in Fund Balances</i>	14,960	(90,344)	(20,045)	(95,429)
Fund Balances Beginning of Year	99,266	330,058	66,486	495,810
<i>Fund Balances End of Year</i>	<u>\$114,226</u>	<u>\$239,714</u>	<u>\$46,441</u>	<u>\$400,381</u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$166,000	\$166,000	\$170,873	\$4,873
Property and Other Local Taxes	34,450	34,450	35,896	1,446
Charges for Services	3,600	3,600	15,091	11,491
Cable Franchise Fees			3,774	3,774
Fines, Licenses and Permits	2,220	2,220	2,280	60
Intergovernmental	46,197	46,197	108,219	62,022
Interest	20,000	20,000	24,109	4,109
Miscellaneous	5,000	5,000	4,641	(359)
<i>Total Receipts</i>	<u>277,467</u>	<u>277,467</u>	<u>364,883</u>	<u>87,416</u>
Disbursements				
Current:				
General Government	141,048	144,748	129,583	15,165
Security of Persons and Property	185,000	199,000	184,449	14,551
Public Health Services	10,000	7,300	7,049	251
Basic Utility Services	20,000	9,000	16,715	(7,715)
Transportation	8,000	8,000	6,127	1,873
<i>Total Disbursements</i>	<u>364,048</u>	<u>368,048</u>	<u>343,923</u>	<u>24,125</u>
<i>Excess of Disbursements Over (Under) Receipts</i>	<u>(86,581)</u>	<u>(90,581)</u>	<u>20,960</u>	<u>111,541</u>
Other Financing Uses				
Transfers Out	(10,000)	(6,000)	(6,000)	
<i>Net Change in Fund Balance</i>	(96,581)	(96,581)	14,960	111,541
<i>Fund Balance Beginning of Year</i>	<u>99,266</u>	<u>99,266</u>	<u>99,266</u>	
<i>Fund Balance End of Year</i>	<u><u>\$2,685</u></u>	<u><u>\$2,685</u></u>	<u><u>\$114,226</u></u>	<u><u>\$111,541</u></u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2008*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$47,294</u>	<u>\$262,134</u>	<u>\$13,402</u>	<u>\$322,830</u>
Net Assets				
Unrestricted	<u>\$47,294</u>	<u>\$262,134</u>	<u>\$13,402</u>	<u>\$322,830</u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2008*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	
Operating Receipts				
Charges for Services	\$112,575	\$239,199	\$31,690	\$383,464
Other Operating Receipts	1,618			1,618
<i>Total Operating Receipts</i>	<u>114,193</u>	<u>239,199</u>	<u>31,690</u>	<u>385,082</u>
Operating Disbursements				
Personal Services	73,877	73,875		147,752
Contractual Services	25,898	102,669	22,775	151,342
Materials and Supplies	16,836	9,745	6,582	33,163
<i>Total Operating Disbursements</i>	<u>116,611</u>	<u>186,289</u>	<u>29,357</u>	<u>332,257</u>
<i>Operating Income (Loss)</i>	(2,418)	52,910	2,333	52,825
Non-Operating Receipts (Disbursements)				
Insurance Proceeds		23,000		23,000
Other Financing Uses	(6,686)	(10,542)		(17,228)
Capital Outlay	(2,033)	(2,600)	(6,907)	(11,540)
Principal Payments		(84,779)		(84,779)
Interest and Fiscal Charges		(1,893)		(1,893)
<i>Total Non-Operating Receipts (Disbursements)</i>	(8,719)	(76,814)	(6,907)	(92,440)
<i>Change in Net Assets</i>	(11,137)	(23,904)	(4,574)	(39,615)
Net Assets Beginning of Year	58,431	286,038	17,976	362,445
<i>Net Assets End of Year</i>	<u>\$47,294</u>	<u>\$262,134</u>	<u>\$13,402</u>	<u>\$322,830</u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1 – REPORTING ENTITY

The Village of Pandora, Putnam County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

A. Primary Government

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

B. Component Units

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

C. Public Entity Risk Pools

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has two major governmental funds including the General Fund and Income Tax Fund.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.
- The Income Tax Fund is a capital projects fund used primarily to fund capital improvements. Its use is restricted by Village ordinance.

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

Proprietary Funds

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

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

- Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.
- Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

E. Cash and Investments

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

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

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

During 2008, the Village invested in nonnegotiable certificates of deposits. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$24,109, which includes \$19,961 assigned from other Village funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their 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.

K. Long-Term Obligations

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

L. Net Assets

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

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

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. The Village had no fund balance reserves at December 31, 2008.

N. Interfund Transactions

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

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

NOTE 3 – COMPLIANCE

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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 difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of 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 three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

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

Deposits

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

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$319,644 of the Village's bank balance of \$727,281 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Investments

As of December 31, 2008, the Village had no investments.

NOTE 6 – INCOME TAXES

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

NOTE 7 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 7 – PROPERTY TAXES (CONTINUED)

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 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent. This amount will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2008, was \$4.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential	\$13,185,000
Agriculture	58,130
Commercial/Industrial/Mineral	2,250,060
Public Utility Property	
Personal	435,180
Tangible Personal Property	1,298,370
Total Assessed Value	<u>\$17,226,740</u>

NOTE 8 – RISK MANAGEMENT

Risk Pool Membership

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

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

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 8 – RISK MANAGEMENT (CONTINUED)

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, 2008, 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.

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

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, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$19,000.

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>	
2007	\$16,617
2008	19,559

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 8 – RISK MANAGEMENT (CONTINUED)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital 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 plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll, public safety and law enforcement members contributed 10.1 percent.

The Village's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 17.4 percent of covered payroll. For the 2008 a portion of the Village's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$24,595, \$23,633, and \$21,184, respectively. The full amount has been contributed for 2008, 2007, and 2006.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2008, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2008, 2007, and 2006 were \$14,827, \$14,637, and \$14,446. The full amount has been contributed for 2008, 2007 and 2006.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare 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 healthcare 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 postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll for 2008.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$12,298, \$9,212 and \$6,958 respectively. The full amount has been contributed for 2008, 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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 healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

Funding policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 17.40 percent of covered payroll for police and fire employers.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For 2008, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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. Active members do not make contributions to the OPEB Plan.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$5,132 for the year ended December 31, 2008, \$3,916 for the year ended December 31, 2007, and \$5,741 for the year ended December 31, 2006. The full amount has been contributed for 2008, 2007, and 2006.

NOTE 11 – DEBT

A summary of the note transactions for the year ended December 31, 2008, follows:

	Interest Rate	Balance December 31, 2007	Reductions	Balance December 31, 2008	Due Within One Year
Ohio Water Development Authority Loan (#1007)	6.25%	\$30,286	(\$9,433)	\$20,853	\$10,022
Ohio Public Works Commission Loan		80,750	(8,500)	72,250	4,250
Ohio Water Development Authority Loan (#4138)		1,128,057	(66,846)	1,061,211	51,810
Total		<u>\$1,239,093</u>	<u>(\$84,779)</u>	<u>\$1,154,314</u>	<u>\$66,082</u>

The Ohio Water Development Authority (OWDA) loan #1007 relates to a water and sewer plant expansion project. The OWDA in 1969 approved up to \$165,178 in loans to the Village for this project. The loans will be repaid in semiannual installments, including interest, over 40 years.

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

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

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 11 – DEBT (CONTINUED)

Year	OWDA Loans		OPWC Loan
	Principal	Interest	Principal
2009	\$61,832	\$1,304	\$4,250
2010	36,868	338	8,500
2011	68,594	156	8,500
2012	63,087		8,500
2013	63,087		8,500
2014-2018	315,437		34,000
2019-2023	315,437		
2024-2026	157,722		
Totals	<u>\$1,082,064</u>	<u>\$1,798</u>	<u>\$72,250</u>

NOTE 12 – SUBSEQUENT EVENTS

On January 6, 2010 the Village purchased a property for \$100,000. The General Fund paid \$50,000 and the Village financed the other \$50,000 for 5 years at Ft Jennings State Bank. The loan of \$50,000 was financed at 2.52% for five years with a payoff date of January 4, 2015.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pandora, Putnam County, (the Village) as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 25, 2010, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2008-002 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated March 25, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 25, 2010

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



Mary Taylor, CPA
Auditor of State

March 25, 2010

VILLAGE OF PANDORA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

There are several exceptions to this requirement 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, each of which is 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 an appropriate fund free from any previous encumbrance, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

The fiscal officer may authorize amounts of less than \$3,000 to be paid 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 Council.

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

Seventy eight percent of the expenditures were not certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Council followed the aforementioned exceptions.

**FINDING NUMBER 2008-001
(Continued)**

Certification is not only required by Ohio law but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer. We also recommend the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer, and recorded against appropriations.

FINDING NUMBER 2008-002

Material Weakness

Monitoring Financial Statements

Sound financial reporting is the responsibility of the fiscal officer and the Village Council and it is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The 2008 financial statements contained material errors, such as the following:

- Program Cash Receipts for Charges for Services in the amount of \$2,503 were recorded as Fines, Licenses and Permits on the Statement of Activities.
- Security of Persons and Property, Program Cash Receipts in the amount of \$24,088 were recorded as General Government on the Statement of Activities.
- Operating Grants and Contributions in the amount of \$60,756 were recorded as Intergovernmental on the Statement of Activities.

Eight adjusting entries ranging in amounts from \$2,503 to \$98,237 were posted to the financial statements to correct these and other errors. The financial statements presented have been adjusted to reflect these corrections.

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

Officials' Response

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-001	ORC §5705.41(D)(1) Failure to certify funds	No	Finding has not been corrected and is repeated in this report as item 2008-001.
2007-002	Financial Reporting recommendation for amounts on report not properly classified.	No	Finding has not been corrected and is repeated in this report as item 2008-002.



Mary Taylor, CPA
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
APRIL 13, 2010