



Mary Taylor, CPA
Auditor of State

VILLAGE OF PANDORA
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	9
Statement of Activities – Cash Basis.....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds.....	12
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds.....	13
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund.....	14
Statement of Fund Net Assets – Cash Basis - Proprietary Funds.....	15
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis – Proprietary Funds.....	16
Notes to the Financial Statements.....	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31
Schedule of Findings.....	33
Schedule of Prior Audit Findings.....	34

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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, 2009, 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, 2009, 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, 2009
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, 2009, 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 2009 are as follows:

- Net assets of governmental activities decreased by \$131,843, a significant change from the prior year. This is due to significant expenditures in the Income Tax Fund, "Capital Expenditures". The major expense were the purchase of a new police cruiser for \$19,043, major street repairs of \$72,452, of the total \$59,163 was paid with income tax monies and \$13,289 paid with Street Permissive Fund monies and the villages share of the sewer separation project of \$237,860.
- Net assets increased in the business-type activities by \$8,216. Reasons for this increase are due to the fact a decrease in capital expenditures and the operating expenditures also decreased from 2008.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Reporting the Village as a Whole

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

The statement of net assets and the statement of activities reflect how the Village did financially during 2009, within the limitations of cash accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

Reporting the Village's Most Significant Funds

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

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are: General Fund, Phase VI Sewer Separation Project Fund, and the Income Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets						
Cash and Cash Equivalents	<u>\$268,538</u>	<u>\$400,381</u>	<u>\$331,046</u>	<u>\$322,830</u>	<u>\$599,584</u>	<u>723,211</u>
Net Assets						
Restricted for:						
Capital Outlay	54,084	239,714			54,084	239,714
Other Purposes	42,516	46,441			42,516	46,441
Unrestricted	<u>171,938</u>	<u>114,226</u>	<u>331,046</u>	<u>322,830</u>	<u>502,984</u>	<u>437,056</u>
Total Net Assets	<u>\$268,538</u>	<u>\$400,381</u>	<u>\$331,046</u>	<u>\$322,830</u>	<u>\$599,584</u>	<u>\$723,211</u>

As mentioned previously, net assets of governmental activities decreased by \$131,843. The net assets in business-type activities increased by \$8,216. The primary reasons for contributing to the changes are as follows:

- The Income Tax Fund had major capital expenditures for 2009: the purchase of a new police cruiser for \$19,043, major street repairs of \$72,452, of the total \$59,163 was paid with income tax monies and \$13,289 paid with Street Permissive Fund monies and the Village's share of the sewer separation project of \$237,860.
- The increase of \$8,216 in the business type activity funds is due to the fact there was a decrease in both capital and operating expenditures.

Table 2 reflects the changes in net assets in years 2009 and 2008 on a cash basis:

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Business Type Activities 2009	Business Type Activities 2008	Total 2009	Total 2008
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$19,012	\$26,591	\$375,776	\$385,082	\$394,788	\$411,673
Operating Grants and Contributions	561,635	60,756			561,635	60,756
Total Program Receipts	580,647	87,347	375,776	385,082	956,423	472,429
General Receipts:						
Property and Other Local Taxes	31,291	35,896			31,291	35,896
Income Taxes	391,002	341,746			391,002	341,746
Grants and Entitlements Not Restricted to Specific Programs	114,480	108,219			114,480	108,219
Cable Franchise Fees	4,032	3,774			4,032	3,774
Gifts and Contributions	1,387	3,500			1,387	3,500
Insurance Proceeds				23,000		23,000
Interest	15,234	24,165			15,234	24,165
OWDA Loan Proceeds	96,542				96,542	
Miscellaneous	1,364	10,097			1,364	10,097
Total General Receipts	655,332	527,397		23,000	655,332	550,397
Total Receipts	1,235,979	614,744	375,776	408,082	1,611,755	1,022,826
Disbursements:						
General Government	115,837	157,544			115,837	157,544
Security of Persons and Property	165,719	184,719			165,719	184,719
Public Health Services	7,239	7,049			7,239	7,049
Leisure Time Activities	4,472	4,764			4,472	4,764
Basic Utilities	12,769	16,715			12,769	16,715
Transportation	68,002	73,279			68,002	73,279
Capital Outlay	993,784	266,103			993,784	266,103
Water			122,717	125,330	122,717	125,330
Sewer			217,493	286,103	217,493	286,103
Community Center			27,350	36,264	27,350	36,264
Total Disbursements	1,367,822	710,173	367,560	447,697	1,735,382	1,157,870
Increase (Decrease) in Net Assets	(131,843)	(95,429)	8,216	(39,615)	(123,627)	(135,044)
Net Assets, January 1	400,381	495,810	322,830	362,445	723,211	858,255
Net Assets, December 31	\$268,538	\$400,381	\$331,046	\$322,830	\$599,584	\$723,211

Program receipts represent only 59 percent of total receipts in 2009 and 46 percent of total receipts in 2008 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, 2009
UNAUDITED
(Continued)**

General receipts represent 41 percent in 2009 and 54 percent in 2008 of the Village's total receipts, and of this amount, 60 percent for 2009 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 \$1,159,503 or 85 percent of all government disbursements, respectively. General government also represents about 8 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
	2009	2008	2009	2008
General Government	\$115,837	\$157,544	\$113,337	\$155,041
Security of Persons and Property	165,719	184,719	149,207	160,631
Public Health Services	7,239	7,049	7,239	7,049
Leisure Time Activities	4,472	4,764	4,472	4,764
Basic Utilities	12,769	16,715	12,769	16,715
Transportation	68,002	73,279	6,367	12,523
Capital Outlay	993,784	266,103	493,784	266,103
Total Expenses	<u>\$1,367,822</u>	<u>\$710,173</u>	<u>\$787,175</u>	<u>\$622,826</u>

The dependence upon property and income tax receipts is apparent as approximately 31 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 decrease in expenses is due to the fact both capital and operating expenditures decreased from 2008.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

The Village's Funds

Total governmental funds had receipts and other financing sources of \$1,238,979 and disbursements and other financing uses of \$1,370,822. The greatest change is due to the fact of several capital expenditures in 2009 which was the purchase of a new police cruiser, sewer separation project and street repairs as opposed to very little capital expenditures in 2008.

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 \$329,367 while actual receipts were \$353,164.

Final disbursements and other financing uses were budgeted at \$443,592 while actual disbursements and other financing uses were \$295,492. The result is increase in fund balance of \$57,712 for 2009.

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, 2009, the Village's outstanding debt included \$1,020,231 in Ohio Water Development Authority loans and a \$160,292 Ohio Public Works Commission Loans. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

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

In 2009 the Village started the final sewer separation phase. The construction bid was \$1,720,000. The project was approximately 70 percent completed by December 31, 2009. The Village received a Small Government Grant of \$500,000 and was approved for an Ohio Public Works Commission loan up to \$770,000. The Village also purchased commercial real estate in January of 2010 for the purchase price of \$100,000, of which \$50,000 will be paid with local funds and the remaining \$50,000 will be financed through Ft. Jennings State bank for a term of five years, with an interest rate of 2.52%. In addition, the Village is in the process of updating the lagoon system with a cost of \$27,000.

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, 2009*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$268,538	\$331,046	\$599,584
 Net Assets			
Restricted for:			
Capital Projects	\$54,084		\$54,084
Other Purposes	42,516		42,516
Unrestricted	171,938	\$331,046	502,984
<i>Total Net Assets</i>	\$268,538	\$331,046	\$599,584

See accompanying notes to the financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2009*

	Cash Disbursements	Program Cash Receipts	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
General Government	\$115,837	\$2,500	
Security of Persons and Property	165,719	16,512	
Public Health Services	7,239		
Leisure Time Activities	4,472		
Basic Utility Services	12,769		
Transportation	68,002		\$61,635
Capital Outlay	993,784		500,000
<i>Total Governmental Activities</i>	1,367,822	19,012	561,635
Business Type Activities			
Water	122,717	108,925	
Sewer	217,493	240,227	
Community Center	27,350	26,624	
<i>Total Business Type Activities</i>	367,560	375,776	
Total	\$1,735,382	\$394,788	\$561,635

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
OWDA Loan Proceeds
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
(\$113,337)		(\$113,337)
(149,207)		(149,207)
(7,239)		(7,239)
(4,472)		(4,472)
(12,769)		(12,769)
(6,367)		(6,367)
(493,784)		(493,784)
(787,175)		(787,175)
	(\$13,792)	(13,792)
	22,734	22,734
	(726)	(726)
	8,216	8,216
(787,175)	8,216	(778,959)
31,291		31,291
391,002		391,002
114,480		114,480
4,032		4,032
1,387		1,387
15,234		15,234
96,542		96,542
1,364		1,364
655,332		655,332
(131,843)	8,216	(123,627)
400,381	322,830	723,211
<u>\$268,538</u>	<u>\$331,046</u>	<u>\$599,584</u>

**VILLAGE OF PANDORA
PUTNAM COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009*

	General	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$171,938	\$54,084	\$42,516	\$268,538
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	\$171,938			\$171,938
Special Revenue Funds			\$42,516	42,516
Capital Projects Funds		\$54,084		54,084
<i>Total Fund Balances</i>	\$171,938	\$54,084	\$42,516	\$268,538

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, 2009*

	General	Phase IV Sewer Separation Project Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$195,501		\$195,501		\$391,002
Property and Other Local Taxes	31,291				31,291
Charges for Services	10,008		6,009	\$495	16,512
Cable Franchise Fees	4,032				4,032
Fines, Licenses and Permits	2,375			125	2,500
Gifts and Donations	1,387				1,387
Intergovernmental	92,078	\$500,000	12,293	71,744	676,115
Interest	15,176			58	15,234
Miscellaneous	1,316			48	1,364
<i>Total Receipts</i>	<u>353,164</u>	<u>500,000</u>	<u>213,803</u>	<u>72,470</u>	<u>1,139,437</u>
Disbursements					
Current:					
General Government	100,357		15,480		115,837
Security of Persons and Property	165,719				165,719
Public Health Services	7,239				7,239
Leisure Time Activities				4,472	4,472
Basic Utility Services	12,769				12,769
Transportation	6,368			61,634	68,002
Capital Outlay		596,542	383,953	13,289	993,784
<i>Total Disbursements</i>	<u>292,452</u>	<u>596,542</u>	<u>399,433</u>	<u>79,395</u>	<u>1,367,822</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>60,712</u>	<u>(96,542)</u>	<u>(185,630)</u>	<u>(6,925)</u>	<u>(228,385)</u>
Other Financing Sources (Uses)					
OWDA Loan Proceeds		96,542			96,542
Transfers In				3,000	3,000
Transfers Out	(3,000)				(3,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,000)</u>	<u>\$96,542</u>		<u>3,000</u>	<u>96,542</u>
<i>Net Change in Fund Balances</i>	57,712		(185,630)	(3,925)	(131,843)
Fund Balances Beginning of Year	114,226		239,714	46,441	400,381
<i>Fund Balances End of Year</i>	<u>\$171,938</u>		<u>\$54,084</u>	<u>\$42,516</u>	<u>\$268,538</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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$171,000	\$171,000	\$195,501	\$24,501
Property and Other Local Taxes	30,860	30,860	31,291	431
Charges for Services	10,008	10,008	10,008	
Cable Franchise Fees	4,380	4,380	4,032	(348)
Fines, Licenses and Permits	2,180	2,180	2,375	195
Intergovernmental	70,947	70,947	92,078	21,131
Interest	24,200	24,200	15,176	(9,024)
Gifts and Contributions	1,387	1,387	1,387	
Miscellaneous	14,405	14,405	1,316	(13,089)
<i>Total Receipts</i>	<u>329,367</u>	<u>329,367</u>	<u>353,164</u>	<u>23,797</u>
Disbursements				
Current:				
General Government	200,792	205,795	100,357	105,438
Security of Persons and Property	200,000	200,000	165,719	34,281
Public Health Services	7,800	7,800	7,239	561
Basic Utility Services	18,000	18,000	12,769	5,231
Transportation	7,000	8,000	6,368	1,632
<i>Total Disbursements</i>	<u>433,592</u>	<u>439,595</u>	<u>292,452</u>	<u>147,143</u>
<i>Excess of Disbursements Over (Under) Receipts</i>	<u>(104,225)</u>	<u>(110,228)</u>	<u>60,712</u>	<u>170,940</u>
Other Financing Uses				
Transfers Out	(10,000)	(3,997)	(3,000)	997
<i>Net Change in Fund Balance</i>	(114,225)	(114,225)	57,712	171,937
<i>Fund Balance Beginning of Year</i>	<u>114,226</u>	<u>114,226</u>	<u>114,226</u>	
<i>Fund Balance End of Year</i>	<u><u>\$1</u></u>	<u><u>\$1</u></u>	<u><u>\$171,938</u></u>	<u><u>\$171,937</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, 2009*

	Business-Type Activities			
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$33,502</u>	<u>\$284,868</u>	<u>\$12,676</u>	<u>\$331,046</u>
Net Assets				
Unrestricted	<u>\$33,502</u>	<u>\$284,868</u>	<u>\$12,676</u>	<u>\$331,046</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, 2009*

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Community Center Fund	
Operating Receipts				
Charges for Services	\$107,497	\$232,754	\$22,374	\$362,625
Other Operating Receipts	1,428	7,473	4,250	13,151
<i>Total Operating Receipts</i>	<u>108,925</u>	<u>240,227</u>	<u>26,624</u>	<u>375,776</u>
Operating Disbursements				
Personal Services	77,323	77,322		154,645
Other	7,032	4,497		11,529
Contractual Services	23,673	58,828	13,127	95,628
Materials and Supplies	14,689	5,210	9,354	29,253
<i>Total Operating Disbursements</i>	<u>122,717</u>	<u>145,857</u>	<u>22,481</u>	<u>291,055</u>
<i>Operating Income (Loss)</i>	(13,792)	94,370	4,143	84,721
Non-Operating Disbursements				
Capital Outlay			(4,869)	(4,869)
Principal Payments		(70,333)		(70,333)
Interest and Fiscal Charges		(1,303)		(1,303)
<i>Total Non-Operating Disbursements</i>		<u>(71,636)</u>	<u>(4,869)</u>	<u>(76,505)</u>
<i>Change in Net Assets</i>	(13,792)	22,734	(726)	8,216
Net Assets Beginning of Year	<u>47,294</u>	<u>262,134</u>	<u>13,402</u>	<u>322,830</u>
<i>Net Assets End of Year</i>	<u><u>\$33,502</u></u>	<u><u>\$284,868</u></u>	<u><u>\$12,676</u></u>	<u><u>\$331,046</u></u>

See accompanying notes to the financial statements

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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 7 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, 2009
(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 three major governmental funds including the General Fund, Sewer Separation Project - Phase IV Fund, and Income Tax Fund.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(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 Sewer Separation Project – Phase IV Fund is used for the tracking of grant and loan proceeds for the sewer project as well as expensing the same to the general contractor for said project. The monies are paid directly to the contractor by the State of Ohio through the Small Government and Ohio Water Development Authority.
- The Income Tax Fund is financed from local taxes and used primarily to fund capital improvements. Its use is restricted by Village ordinance.

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

Proprietary Funds

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

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

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

C. Basis of Accounting

The Village's financial statements are prepared using the 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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

E. Cash and Investments

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

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

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

During 2009, 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 2009 was \$15,176, which includes \$10,744 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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Interfund Receivables/Payables

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's 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 8 and 9, 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, 2009.

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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 3 – 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 4 – 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, 2009
(Continued)**

NOTE 4 – 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, \$333,957 of the Village's bank balance of \$627,538 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, 2009, the Village had no investments.

NOTE 5 – 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 6 – 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 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, 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, 2009
(Continued)**

NOTE 6 – 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 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2009, was \$4.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential	\$14,450,440
Agriculture	79,400
Commercial/Industrial/Mineral	2,696,780
Public Utility Property	
Personal	448,190
Tangible Personal Property	9,070
Total Assessed Value	<u><u>\$17,683,880</u></u>

NOTE 7 – 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, 2009
(Continued)**

NOTE 7 – 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 (the latest information available):

	<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 Government's share of these unpaid claims collectible in future years is approximately \$20,000.

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

<u>Contributions to PEP</u>	
2008	\$19,559
2009	21,178

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 7 – 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 8 - 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, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The Village's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 17.17 percent of covered payroll. For the period January 1 through June 30, 2007, a portion of the Village's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. 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, 2009, 2008, and 2007, were \$25,741, \$24,595, and \$23,633, respectively. The full amount has been contributed for 2009, 2008, and 2007.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 8 - 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, 2009, 2008, and 2007 were \$14,658, \$14,827, and \$14,637. The full amount has been contributed for 2009, 2008 and 2007.

NOTE 9 – 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 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 2007, local government employers contributed 13.85 percent of covered payroll (17.17 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 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 9 – 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, 2009, 2008, and 2007 were \$10,802, \$12,298 and \$9,212 respectively. The full amount has been contributed for 2009, 2008 and 2007.

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, 2009
(Continued)**

NOTE 9 – 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 \$5,073 for the year ended December 31, 2009, \$5,132 for the year ended December 31, 2008, and \$3,916 for the year ended December 31, 2007. The full amount has been contributed for 2009, 2008, and 2007.

NOTE 10 – DEBT

A summary of the note transactions for the year ended December 31, 2009, follows:

	Interest Rate	Balance December 31, 2008	Proceeds	Reductions	Balance December 31, 2009	Due Within One Year
Ohio Water Development Authority Loan (#1007)	6.25%	\$20,853		(\$10,022)	\$10,831	\$5,324
Ohio Public Works Commission Loan		72,250		(8,500)	63,750	4,250
Ohio Water Development Authority Loan (#4138)		1,061,211		(51,811)	1,009,400	31,544
Ohio Public Works Commission Loan (#CT58M)			\$96,542		96,542	
Total		\$1,154,314	\$96,542	(\$70,333)	\$1,180,523	\$41,118

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.

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 10 – DEBT (CONTINUED)

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

Year	OWDA Loans		OPWC Loan
	Principal	Interest	Principal
2010	\$36,868	\$338	\$4,250
2011	68,594	156	8,500
2012	63,087		8,500
2013	63,087		8,500
2014	63,087		8,500
2015-2019	315,437		25,500
2020-2024	315,437		
2025-2026	94,634		
Totals	\$1,020,231	\$494	\$63,750

NOTE 11 – CONTRACTS OUTSTANDING

At December 31, 2009, the Village had a \$473,336 outstanding contractual commitment with Beaverdam Contracting for a sewer separation project. The Village's share is \$60,145, with the remainder being paid with grants and loans from the Ohio Public Works Commission.

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, 2009, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters 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 management, the finance committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 25, 2010

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

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

FINDING NUMBER 2009-001

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 2009 financial statements contained material errors, such as the following:

- Program Cash Receipts for Charges for Services in the amount of \$2,500 were recorded as Fines, Licenses and Permits on the Statement of Activities.
- Security of Persons and Property, Program Cash Receipts in the amount of \$16,512 were recorded as General Government on the Statement of Activities.
- Operating Grants and Contributions in the amount of \$61,635 were recorded as Intergovernmental on the Statement of Activities.

Four 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 this finding.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-001	ORC §5705.41(D)(1) Failure to certify funds	Yes	
2008-002	Financial Reporting recommendation for amounts on report not properly classified.	No	Finding has not been corrected and is repeated in this report as item 2009-001.



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