



Dave Yost • Auditor of State

VILLAGE OF PANDORA
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Pandora, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Miscellaneous receipts in the Community Center Fund were reported at \$30,733 for the year ended December 31, 2015, which is 8 percent of total Enterprise Fund operating receipts for the year ended December 31, 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as miscellaneous receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Pandora, Putnam County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Emphasis of Matter

As described in note 1B, for the year ended December 31, 2014, the Village ceased reporting on a cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34 and reported in the accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with general accepted accounting principles, which is similar to the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its

compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 25, 2017

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**VILLAGE OF PANDORA
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property Taxes	\$38,520			\$38,520
Income Tax	230,898		\$174,831	405,729
Intergovernmental	26,418	\$60,401		86,819
Charges for Services	6,977	625		7,602
Fines, Licenses and Permits	7,283			7,283
Earnings on Investments	1,622	58		1,680
Miscellaneous	15,711	800	16,059	32,570
<i>Total Cash Receipts</i>	<u>327,429</u>	<u>61,884</u>	<u>190,890</u>	<u>580,203</u>
Cash Disbursements				
Current:				
General Government	109,463	5,977	30,415	145,855
Security of Persons and Property	170,085			170,085
Public Health Services	6,061			6,061
Leisure Time Activities		3,177		3,177
Basic Utility Services	15,735			15,735
Transportation	19,783	53,659		73,442
Capital Outlay	511	4,876	147,621	153,008
Debt Service:				
Principal Retirement	7,580			7,580
Interest and Fiscal Charges	55			55
<i>Total Cash Disbursements</i>	<u>329,273</u>	<u>67,689</u>	<u>178,036</u>	<u>574,998</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,844)</u>	<u>(5,805)</u>	<u>12,854</u>	<u>5,205</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	4,550			4,550
Transfers In		6,000	8,690	14,690
Transfers Out	(14,690)			(14,690)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,140)</u>	<u>6,000</u>	<u>8,690</u>	<u>4,550</u>
<i>Net Change in Fund Cash Balances</i>	<u>(11,984)</u>	<u>195</u>	<u>21,544</u>	<u>9,755</u>
<i>Fund Cash Balances, January 1</i>	<u>20,224</u>	<u>25,304</u>	<u>280,891</u>	<u>326,419</u>
Fund Cash Balances, December 31				
Restricted		25,499		25,499
Committed			302,435	302,435
Unassigned	8,240			8,240
<i>Fund Cash Balances, December 31</i>	<u>\$8,240</u>	<u>\$25,499</u>	<u>\$302,435</u>	<u>\$336,174</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$339,538
Miscellaneous	57,502
	397,040
<i>Total Operating Cash Receipts</i>	<i>397,040</i>
Operating Cash Disbursements	
Personal Services	140,821
Contractual Services	104,039
Supplies and Materials	21,882
Other	1,027
	267,769
<i>Total Operating Cash Disbursements</i>	<i>267,769</i>
<i>Operating Income</i>	<i>129,271</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	40,000
Capital Outlay	(70,304)
Principal Payments	(91,350)
Other Financing Sources	(12,924)
	(134,578)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(134,578)</i>
<i>Net Change in Fund Cash Balance</i>	<i>(5,307)</i>
<i>Fund Cash Balance, January 1</i>	<i>449,883</i>
<i>Fund Cash Balance, December 31</i>	<i>\$444,576</i>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. Summary of Significant Accounting Policies

A. Description of the Village

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Pandora, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer services, park operations, police services, building inspection, street maintenance and repairs. Council has direct responsibility for these services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 8 to the financial statements provide additional information for this Village.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village values its certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. Capital Project Funds

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

Income Tax Fund - The Income Tax Fund is financed from local taxes. Majority of disbursements are for capital projects such as the purchase of equipment and other infrastructure.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances are canceled at year end, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2015
Demand deposits	\$504,332
Certificates of Deposit	276,318
Total Deposits	\$780,650

At December 31, 2015, the Village had \$100 in cash on hand for a change fund.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$359,314	\$331,979	(\$27,335)
Special Revenue	88,625	67,884	(20,741)
Capital Projects	239,290	199,580	(39,710)
Enterprise	477,650	437,040	(40,610)
Total	\$1,164,879	\$1,036,483	(\$128,396)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$379,724	\$343,963	\$35,761
Special Revenue	113,929	67,689	46,240
Capital Projects	519,996	178,036	341,960
Enterprise	927,533	442,347	485,186
Total	\$1,941,182	\$1,032,035	\$909,147

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan (CM109)	\$12,750	0%
Ohio Water Development Authority Loan (4138)	630,876	0%
Ohio Public Works Commission Loan (CT58M)	484,192	0%
Interfund Loan	24,786	3.30%
	<u>\$1,152,604</u>	

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

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

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

The First National Bank of Pandora loan of \$100,000 was signed on August 7, 2012. The term is for five years with an interest rate of 3.3% and monthly payments of \$1,812. The purpose of this loan is for the expenses the Village incurred as a result of the Derecho storm on June 29, 2012. Village has made early payments on this with Federal Emergency Management Agency monies. This loan was paid off in 2015.

On December 11, 2012, the Village Council loaned \$40,000 from the Income Tax Fund to the General Fund in order to have a positive balance in the General Fund. This loan will be paid over 5

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

years with an interest rate of 3.3%. According to Resolution No. 2012-613, annual payments of \$8,689, including interest, will be paid.

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

Year	OWDA Loan	OPWC Loans	Interfund Loan	
	Principal	Principal	Principal	Interest
2016	\$63,088	\$28,263	\$7,991	\$698
2017	63,088	24,013	8,259	430
2018	63,088	19,763	8,536	153
2019	63,088	19,763		
2020	63,088	19,763		
2021-2025	315,436	98,815		
2026-2030		98,815		
2031-2035		98,815		
2036-2040		88,932		
Totals	<u>\$630,876</u>	<u>\$496,942</u>	<u>\$24,786</u>	<u>\$1,281</u>

6. Income Taxes

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

7. Retirement Systems

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F participants contributed 12.25% of their wages. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Effective July 1, 1991, all employees and officials not otherwise covered by OP&F or OPERS have an option to choose Social Security. The contribution rate is 6.2 percent of wages.

8. Risk Management

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

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, 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 Village.

Financial Position

PEP's financial statements (audited by other auditor's) conform to generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

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

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$23,144	\$23,244

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Transfers

Fund Type	Transfer From	Transfer To
General	\$14,690	
Special Revenue		
Park Fund		\$6,000
Capital Projects		
Income Tax Fund		8,690

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

10. Miscellaneous Revenue

In 2015, miscellaneous revenue in the Capital Projects Fund consisted of farm rent. Miscellaneous revenues in the Community Center Enterprise Fund consisted of various fundraising activities.

11. Subsequent Events

At the January 24, 2017 meeting council awarded a contract to R.A. Bores Excavating. Base bid was \$447,625 for Water Main Improvements. Replacing approximately 3,728 feet of an existing 4-inch ductile iron water main with a new 6" PVC water main along North High Street and South Jefferson Streets including new hydrants, gate valves, services and incidentals and Alternate bid of \$60,130 for The alternate bid is for the resurfacing of these two streets afterwards. Total amount of bid \$507,755. Contract will be paid by an Ohio Public Works Commission Grant of \$175,000, a loan from Ohio Public Works Commission which will be 85% of final costs, and remainder 15% of final costs will be paid by the village.

12. Compliance

Contrary to Ohio law the Village improperly conducted a raffle and bingo fundraiser.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property Taxes	\$37,676			\$37,676
Income Tax	196,927		\$196,927	393,854
Intergovernmental	24,852	\$58,829	3,605	87,286
Charges for Services	17,404	476		17,880
Fines, Licenses and Permits	2,057			2,057
Earnings on Investments	945	10		955
Miscellaneous	8,794	1,574	16,059	26,427
<i>Total Cash Receipts</i>	<u>288,655</u>	<u>60,889</u>	<u>216,591</u>	<u>566,135</u>
Cash Disbursements				
Current:				
General Government	136,072	6,166	19,440	161,678
Security of Persons and Property	168,039			168,039
Public Health Services	5,969			5,969
Leisure Time Activities		3,070		3,070
Basic Utility Services	18,120			18,120
Transportation	35,803	51,782		87,585
Capital Outlay	1,369		67,675	69,044
Debt Service:				
Principal Retirement	21,109			21,109
Interest and Fiscal Charges	640			640
<i>Total Cash Disbursements</i>	<u>387,121</u>	<u>61,018</u>	<u>87,115</u>	<u>535,254</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(98,466)</u>	<u>(129)</u>	<u>129,476</u>	<u>30,881</u>
Other Financing Receipts (Disbursements)				
Transfers In		14,000		14,000
Transfers Out	(14,000)			(14,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(14,000)</u>	<u>14,000</u>		
<i>Net Change in Fund Cash Balances</i>	(112,466)	13,871	129,476	30,881
<i>Fund Cash Balances, January 1</i>	<u>132,690</u>	<u>11,433</u>	<u>151,415</u>	<u>295,538</u>
Fund Cash Balances, December 31				
Restricted		25,304		25,304
Committed			280,891	280,891
Unassigned	20,224			20,224
<i>Fund Cash Balances, December 31</i>	<u>\$20,224</u>	<u>\$25,304</u>	<u>\$280,891</u>	<u>\$326,419</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$321,392
Miscellaneous	32,602
	353,994
<i>Total Operating Cash Receipts</i>	<i>353,994</i>
Operating Cash Disbursements	
Personal Services	107,367
Contractual Services	81,918
Supplies and Materials	36,463
Other	3,211
	228,959
<i>Total Operating Cash Disbursements</i>	<i>228,959</i>
<i>Operating Income</i>	<i>125,035</i>
Non-Operating Disbursements	
Capital Outlay	(4,081)
Principal Retirement	(91,350)
	(95,431)
<i>Total Non-Operating Disbursements</i>	<i>(95,431)</i>
<i>Net Change in Fund Cash Balance</i>	<i>29,604</i>
<i>Fund Cash Balance, January 1</i>	<i>420,279</i>
<i>Fund Cash Balance, December 31</i>	<i>\$449,883</i>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. Summary of Significant Accounting Policies

A. Description of the Village

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Pandora, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer services, park operations, police services, building inspection, street maintenance and repairs. Council has direct responsibility for these services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 8 to the financial statements provide additional information for this Village.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village values its certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

reported in another fund.

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Capital Project Funds

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

Income Tax Fund - The Income Tax Fund is financed from local taxes. Majority of disbursements are for capital projects such as the purchase of equipment and other infrastructure.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances are canceled at year end, and reappropriated in the subsequent year.

A summary of 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Changes in Financial Statement Presentation

In 2013, the Village reported the financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. For 2014, the Village began reporting on a regulatory basis. The Village no longer presents entity wide financial statements. The fund financial statements present a column for each fund type, rather than a separate column for each major fund with non-major funds aggregated and presented in a single column.

3. Equity in Pooled Deposits

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

	<u>2014</u>
Demand deposits	<u>\$500,710</u>
Certificates of Deposit	<u>275,492</u>
Total Deposits	<u><u>\$776,202</u></u>

At December 31, 2014, the Village had \$100 in cash on hand for a change fund.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public Village deposit pool.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 follows:

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,568	\$288,655	(\$61,913)
Special Revenue	85,500	74,889	(10,611)
Capital Projects	230,600	216,591	(14,009)
Enterprise	360,500	353,994	(6,506)
Total	<u>\$1,027,168</u>	<u>\$934,129</u>	<u>(\$93,039)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$483,258	\$401,121	\$82,137
Special Revenue	96,933	61,018	35,915
Capital Projects	382,015	87,115	294,900
Enterprise	780,778	324,390	456,388
Total	<u>\$1,742,984</u>	<u>\$873,644</u>	<u>\$869,340</u>

5. Property Tax

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

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

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

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan (CM109)	\$21,250	0%
Ohio Water Development Authority Loan (4138)	693,963	0%
Ohio Public Works Commission Loan (CT58M)	503,955	0%
Storm Damage Bank Loan	7,579	3.30%
Interfund Loan	32,518	3.30%
Total	<u>\$1,259,265</u>	

The Ohio Water Development Agency (OWDA) loan approved in 2006, for \$1,336,930, is a loan for Phase III of the Sewer Separation Project. This loan was adjusted in 2009 due to \$75,181 of

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

undisbursed funds being removed from the original loan. In 2009, an adjustment was made to reflect an ending balance of \$1,040,943. This loan will be repaid in semiannual installments of \$31,544 with zero interest over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

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

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

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

Year	OWDA Loan	OPWC Loans	Storm Damage Bank Loan		Interfund Loan	
	Principal	Principal	Principal	Interest	Principal	Interest
2015	\$63,088	\$28,263	\$7,579	\$55	\$7,732	\$957
2016	63,088	28,263			7,991	698
2017	63,088	24,013			8,259	430
2018	63,088	19,763			8,536	153
2019	63,088	19,763				
2020-2024	378,523	98,815				
2025-2029		98,815				
2030-2034		98,815				
2035-2039		98,815				
2040		9,880				
Totals	<u>\$693,963</u>	<u>\$525,205</u>	<u>\$7,579</u>	<u>\$55</u>	<u>\$32,518</u>	<u>\$2,238</u>

7. Income Taxes

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

8. Retirement Systems

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014, OP&F participants contributed 11.5% of their wages. For 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

Effective July 1, 1991, all employees and officials not otherwise covered by OP&F or OPERS have an option to choose Social Security. The contribution rate is 6.2 percent of wages.

9. Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 Villages pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, 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 Village.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

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

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$23,817	\$23,144

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

10. Transfers

Fund Type	Transfer From	Transfer To
General	\$14,000	
Special Revenue		
Park Fund		\$3,000
Street Construction Maintenance and Repair		11,000

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

11. Miscellaneous Revenue

In 2014, miscellaneous revenue in the Capital Projects Fund consisted of farm rent. Miscellaneous revenues in the Community Center Enterprise Fund consisted of various fundraising activities.

12. Subsequent Events

At the January 24, 2017 meeting, the Village Council awarded a contract to R.A. Bores Excavating. The base bid was \$447,625 for water main improvements. The Village is replacing

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

approximately 3,728 feet of an existing 4-inch ductile iron water main with a new 6" PVC water main along North High Street and South Jefferson Streets including new hydrants, gate valves, services and incidentals. The Village Council also approved an additional \$60,130 for the alternate bid for the resurfacing of these two streets afterwards. Total amount of the contract is \$507,755. The contract will be paid by an Ohio Public Works Commission Grant of \$175,000, a loan from Ohio Public Works Commission which will be 85% of final costs, and the remaining 15% of the final costs will be paid by the Village.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Pandora, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as miscellaneous revenue in the Enterprise Funds in 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-002 and 2015-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Entity's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 25, 2017

VILLAGE OF PANDORA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Noncompliance

Ohio Rev. Code § 2915.092(A)(1) requires that subject to division (A)(2) of this section, a charitable organization, a public school, a chartered nonpublic school, a community school, or a veteran's organization, fraternal organization, or sporting organization that is exempt from federal income taxation under subsection 501(a) and is described in subsection 501(c)(3), 501(c)(4), 501(c)(7), 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code may conduct a raffle to raise money for the organization or school and does not need a license to conduct bingo in order to conduct a raffle drawing that is not for profit.

Ohio Rev. Code § 2915.092(A)(2) provides that if a charitable organization that is described in division (A)(1) of this section, but that is not also described in subsection 501(c)(3) of the Internal Revenue Code, conducts a raffle, the charitable organization shall distribute at least fifty per cent of the net profit from the raffle to a charitable purpose described in division (V) of section 2915.01 of the Revised Code or to a department or agency of the federal government, the state, or any political subdivision.

Ohio Rev. Code § 2915.092(B) provides that except as provided in division (A) or (B) of this section, no person shall conduct a raffle drawing that is for profit or a raffle drawing that is not for profit.

In addition, **Ohio Rev. Code § 2915.07(A)** provides that no person, except a charitable organization that has obtained a license pursuant to section 2915.08 of the Revised Code, shall conduct or advertise bingo.

The Village does not meet either of the conditions described in sections A or B of § 2915.092 and, therefore, is not permitted to conduct a raffle drawing for profit or not for profit. Further, the Village is not permitted under § 2915.07 to conduct bingo.

The Village conducted a gun raffle and purse bingo during 2015. Due to the lack of supporting documentation regarding receipts and disbursements, net profits posted to the Enterprise Community Center Fund were undeterminable.

The lack of adequate supporting documentation and the fact that the gun raffle and bingo were not a permissible way to raise funds for a Village resulted in a qualification of the opinion in relation to the 2015 Enterprise Community Service Center Fund Miscellaneous Revenue and has resulted in the inability to determine the fair presentation of this revenue line item on the current financial statements.

Raising money by a gun raffle and by bingo is a violation of the Ohio Revised Code and resulted in the illegal collection of money.

The Village should ensure that gun raffles and bingos are not held and sponsored by the Village.

This issue has been referred to the Ohio Attorney General – Charitable Law Section.

Officials' Response:

The Community Center Fund was established in 2005 at the recommendation of the Public Entitles Pool of Ohio (PEP). The Community Center Committee was unable to afford liability and elected officials insurance coverage on the Community Center therefore PEP agreed to add this coverage to the Village of Pandora's insurance policy at no additional premium with certain stipulations, one being that a separate fund be established on the village books.

This agreement has worked well since 2005 however the Community Center is now in need of some updates including new restrooms, lobby area, maintenance room and storage room at a cost of \$305,000.00. The committee's five year presented plan to council to pay for this project was to have at least two fundraising events per year along with a \$100,000.00 capital campaign where donations will be received over the next five years. If fundraising events cannot be held due to the current arrangement, this will indeed hinder the ability to raise funds for this project.

I wish to inform you that Village Solicitor, Scott Basinger will be contacting the Attorney General office to determine if there is another way that we can continue with the fundraising activity.

FINDING NUMBER 2015-002

Material Weakness - Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated.

The Village lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- In 2015, the Village incorrectly classified General Fund fines, licenses, and permits, sale of capital assets, and miscellaneous revenue in the amounts of \$5,873, \$4,550, and \$9,407, respectively, as Charges for Services.
- In 2015, the Village incorrectly classified Enterprise Water Fund intergovernmental revenues of \$40,000 as miscellaneous revenue.
- In 2015 and 2014, the Village incorrectly classified General Fund general government expenditures as other financing uses in the amounts of \$38,199 and \$49,057, respectively.
- In 2015 and 2014, the Village incorrectly classified miscellaneous revenue in the Enterprise Community Center Fund as charges for services in the amounts of \$25,297 and \$25,032, respectively.

The Village's financial statements and accounting records have been adjusted to reflect these and other discrepancies.

To help ensure the financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements, by the Fiscal Officer and Finance Committee, to identify and correct errors and omissions.

Officials' Response:

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

FINDING NUMBER 2015-003

Material Weakness – Community Center Fund Raisers

Complete and accurate supporting documentation should be maintained for the Village's Community Center fundraising activities. The Village did not maintain any supporting documentation or reconcile tickets sold to collections for its fundraising activities during 2014 or 2015. The lack of a policy regarding procedures and internal controls over fundraising activities, including a lack of supporting documentation, could also result in non-collection of monies or monies being received and not posted or posted properly. In addition, there is a possible increase of theft or fraud occurring.

The Village should maintain complete and accurate supporting documentation for all fundraisers. In order to help ensure all fundraisers are properly accounted for, we recommend:

- Financial records include documentation for receipts received such as ticket stubs, ticket reconciliations, items ordered and/or printed for use, items sold, donated, etc.
- Ticket reconciliations be completed for each fundraiser held by the Community Center. The ticket reconciliations should indicate beginning and ending ticket numbers which compute to the total tickets sold. Any discrepancies should be documented and explained on the reconciliations.
- Data on completed daily ticket reconciliations should be accurate and complete based on documented ticket sales and matched to the total receipts actually collected.
- Records of tickets sold/unsold should be available for inspection, such as for public records requests and for audit.
- Ticket reconciliations be signed off by the individual in charge of the fundraiser and reviewed and signed by the Fiscal Officer to ensure accuracy.
- The total number of ticket sales (the number of sold/unsold tickets) be compared and reconciled to the total number of tickets purchased/printed for each event. Any discrepancies should be documented and explained on the reconciliations.
- These records should be reconciled to the amounts collected and turned over to the Village Fiscal Officer for receipt and deposit to the Village's depository.
- Council should instruct all individuals involved that they are handling public funds and that all transactions are required to be accounted for on the financial records maintained by the Village Fiscal Officer. In addition, council should instruct the individuals involved that all receipts collected must be turned over to the appropriate Village Official for deposit.
- The Village Officials designate individuals responsible for each aspect of the activity, including those permitted to authorize specific transactions or situations.

Officials' Response:

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material weakness regarding financial reporting due to errors on the financial statements.	Not corrected. Reissued as finding 2015-002 in this report.	An effort was made to correct prior audit posting errors once aware of the errors. Current year posting errors are different from prior year. The Fiscal Officer will review current year audit reclassifications and the Village Handbook to ensure proper postings in the future.
2013-002	Material weakness regarding posting of estimated receipts.	Corrective action taken and finding is fully corrected.	
2013-003	Noncompliance citation on Ohio Rev. Code § 5705.41(D) for not encumbering.	Corrective action taken and finding is fully corrected.	
2013-004	Noncompliance citation on Ohio Rev. Code § 731.14 for not properly following bidding requirements.	Corrective action taken and finding is fully corrected.	



Dave Yost • Auditor of State

VILLAGE OF PANDORA

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 23, 2017