



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF PANDORA
PUTNAM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Pandora
Putnam County
102 South Jefferson Street
P.O. Box 193
Pandora, Ohio 45877-0193

To the Village Council:

We have audited the accompanying financial statements of the Village of Pandora (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 2 to the financial statements, during 2000 the Village reclassified its income tax fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Pandora
Putnam County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$130,366	\$7,650	\$202,589	\$340,605
Special Assessments			484	484
Intergovernmental Receipts	63,694	35,860	15,064	114,618
Fines, Licenses, and Permits	2,996	25		3,021
Earnings on Investments	30,727	127		30,854
Miscellaneous	20,904	1,486	9,793	32,183
	<u>248,687</u>	<u>45,148</u>	<u>227,930</u>	<u>521,765</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	141,547			141,547
Public Health Services	1,965			1,965
Leisure Time Activities		7,166		7,166
Basic Utility Services	5,135			5,135
Transportation	1,246	52,161		53,407
General Government	81,942		9,516	91,458
Capital Outlay			323,940	323,940
	<u>231,835</u>	<u>59,327</u>	<u>333,456</u>	<u>624,618</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>16,852</u>	<u>(14,179)</u>	<u>(105,526)</u>	<u>(102,853)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		7,000		7,000
Transfers-Out	(7,000)			(7,000)
Other Uses			(6,334)	(6,334)
	<u>(7,000)</u>	<u>7,000</u>	<u>(6,334)</u>	<u>(6,334)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>9,852</u>	<u>(7,179)</u>	<u>(111,860)</u>	<u>(109,187)</u>
Fund Cash Balances, January 1	<u>203,006</u>	<u>30,522</u>	<u>339,710</u>	<u>573,238</u>
Fund Cash Balances, December 31	<u>\$212,858</u>	<u>\$23,343</u>	<u>\$227,850</u>	<u>\$464,051</u>
Reserves for Encumbrances, December 31				

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$262,493
Miscellaneous	6,125
	268,618
Total Operating Cash Receipts	268,618
Operating Cash Disbursements:	
Personal Services	95,263
Contractual Services	66,180
Supplies and Materials	19,023
Capital Outlay	1,439
	181,905
Total Operating Cash Disbursements	181,905
Operating Income	86,713
Non-Operating Cash Disbursements:	
Debt Service	95,082
Other Non-Operating Cash Disbursements	6,719
	101,801
Total Non-Operating Cash Disbursements	101,801
Net Disbursements Over Receipts	(15,088)
Fund Cash Balances, January 1	178,308
Fund Cash Balances, December 31	\$163,220
Reserve for Encumbrances, December 31	

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$137,925		\$224,484	\$362,409
Special Assessments			484	484
Intergovernmental Receipts	63,353	\$37,607	264,518	365,478
Fines, Licenses, and Permits	1,744	25		1,769
Earnings on Investments	26,948	199		27,147
Miscellaneous	25,200	414	14,238	39,852
Total Cash Receipts	<u>255,170</u>	<u>38,245</u>	<u>503,724</u>	<u>797,139</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	136,095	159		136,254
Public Health Services	1,630			1,630
Leisure Time Activities		6,909		6,909
Basic Utility Services	4,421			4,421
Transportation	2,879	36,525		39,404
General Government	72,016		10,141	82,157
Capital Outlay			349,679	349,679
Total Cash Disbursements	<u>217,041</u>	<u>43,593</u>	<u>359,820</u>	<u>620,454</u>
Total Receipts Over/(Under) Disbursements	<u>38,129</u>	<u>(5,348)</u>	<u>143,904</u>	<u>176,685</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		7,000		7,000
Transfers-Out	(7,000)			(7,000)
Other Uses			(225)	(225)
Total Other Financing Receipts/(Disbursements)	<u>(7,000)</u>	<u>7,000</u>	<u>(225)</u>	<u>(225)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	31,129	1,652	143,679	176,460
Fund Cash Balances, January 1	<u>171,877</u>	<u>28,870</u>	<u>196,031</u>	<u>396,778</u>
Fund Cash Balances, December 31	<u>\$203,006</u>	<u>\$30,522</u>	<u>\$339,710</u>	<u>\$573,238</u>
Reserves for Encumbrances, December 31		<u>\$9,817</u>		<u>\$9,817</u>

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$243,226
Miscellaneous	2,489
	245,715
Total Operating Cash Receipts	245,715
Operating Cash Disbursements:	
Personal Services	86,251
Contractual Services	39,552
Supplies and Materials	27,162
Capital Outlay	30,417
	183,382
Total Operating Cash Disbursements	183,382
Operating Income	62,333
Non-Operating Cash Disbursements:	
Debt Service	92,339
Other Non-Operating Cash Disbursements	4,552
	96,891
Total Non-Operating Cash Disbursements	96,891
Net Disbursements Over Receipts	(34,558)
Fund Cash Balances, January 1	212,866
Fund Cash Balances, December 31	\$178,308
Reserve for Encumbrances, December 31	

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, 2000 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Pandora (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 2001
(Continued)**

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds

Income Tax Fund - This fund receives sixty-seven percent of the revenue from income taxes levied on residents and businesses of the Village to be used on capital improvements.

Phase II Sewer Fund – This fund receives proceeds of Issue 2 money. The proceeds were used for the sewer separation project.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end

2. Estimated Resources

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

3. Encumbrances

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 2001
(Continued)**

accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered

A summary of 2001 and 2000 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. PRIOR PERIOD RESTATEMENT

In prior years the Village had classified its income tax fund as an expendable trust fund. For 2000 the income tax fund was appropriately reclassified as a capital project fund.

This change had the following affect on fund balances previous reported by the Village:

	Capital Project Funds	Expendable Trust Fund
Fund balances as previously reported at December 31, 1999		\$196,031
Adjustments for changes to fund structure	\$196,031	(196,031)
Adjusted balances January 1, 2000	\$196,031	

This change had the following affect on the excess of revenues over expenditures as previously reported by the Village:

	Capital Project Funds	Expendable Trust Fund
Excess as previously reported at December 31, 1999	\$(68,403)	\$12,629
Adjustments for changes to fund structure	12,629	(12,629)
Adjusted excess at December 31, 1999	\$(55,774)	

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 2001
(Continued)**

	2001	2000
Demand deposits	\$405,694	\$482,338
Certificates of deposit	221,577	269,208
Total deposits	\$627,271	\$751,546

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$239,324	\$248,687	\$9,363
Special Revenue	57,525	52,148	(5,377)
Capital Projects	270,000	227,930	(42,070)
Enterprise	260,000	268,618	8,618
Total	\$826,849	\$797,383	(\$29,466)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$442,329	\$238,835	\$203,494
Special Revenue	88,047	59,327	28,720
Capital Projects	609,711	339,790	269,921
Enterprise	438,307	283,706	154,601
Total	\$1,578,394	\$921,658	\$656,736

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$203,753	\$255,170	\$51,417
Special Revenue	48,873	45,245	(3,628)
Capital Projects	518,500	503,724	(14,776)
Enterprise	225,000	245,715	20,715
Total	\$996,126	\$1,049,854	\$53,728

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 2001
(Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$375,630	\$224,041	\$151,589
Special Revenue	77,743	53,410	24,333
Capital Projects	714,532	360,045	354,487
Enterprise	437,866	280,273	157,593
Total	<u>\$1,605,771</u>	<u>\$917,769</u>	<u>\$688,002</u>

5. COMPLIANCE

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

6. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

7. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax revenues are credited 1/3 to the general fund and 2/3 to a capital project fund.

8. DEBT

Debt outstanding at December 31, 2001 was as follows:

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 2001
(Continued)**

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$76,309	6.25%
Ohio Public Works Commission Loan	131,750	0.00%
Total	<u>\$208,059</u>	

The Ohio Water Development Authority (OWDA) loan 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 of \$5,663, including interest, over 40 years.

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

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC Loan</u>
2002	\$5,663	\$4,250
2003	11,326	8,500
2004	11,326	8,500
2005	11,326	8,500
2006	11,326	8,500
Subsequent	50,966	93,500
Total	<u>\$101,933</u>	<u>\$131,750</u>

9. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

10. RISK MANAGEMENT

Risk Pool Membership

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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
DECEMBER 31, 2000 AND 2001
(Continued)**

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	(8,827,588)	(7,715,035)
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$1,890,323	\$1,575,614
Liabilities	(469,100)	(281,561)
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Pandora
Putnam County
102 South Jefferson Street
P.O. Box 193
Pandora, Ohio 45877-0193

To the Village Council:

We have audited the accompanying financial statements of the Village of Pandora (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 18, 2002, in which we disclosed the Village reclassified its income tax fund. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-30269-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 18, 2002.

Village of Pandora
Putnam County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30269-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

None of the transactions tested were certified by the Clerk. In addition, the Village had \$9,817 in outstanding purchase commitments as of December 31, 2000 that were not certified until 2001 and as a result were improperly charged against 2001 appropriations. The accompanying financial statements were adjusted to reflect the \$9,817 as an outstanding encumbrance in the special revenue funds as of December 31, 2000. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Village Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Clerk and that the Village Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Village Council, certified by the Clerk and recorded against appropriations.

**VILLAGE OF PANDORA
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30269-001	ORC § 135.18 uninsured and uncollateralized deposits.	Yes	
1999-30269-002	ORC § 5705.41(D) certification of disbursements	No	This finding has not been corrected and is repeated in this report as finding 2001-30269-001
1999-30269-003	ORC § 5705.41(B) expenditures in excess of appropriations	No	Improvement has been made reducing this to a management letter comment.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JULY 9, 2002**