



**Auditor of State  
Betty Montgomery**



**VILLAGE OF PANDORA  
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	18

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**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

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, Putnam County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits 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 audits 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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2004 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.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 14, 2004

**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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 30,088			\$ 30,088
Municipal Income Taxes	104,270		\$ 211,565	315,835
Special Assessments			484	484
Intergovernmental Receipts	95,401	\$ 39,029		134,430
Fines, Licenses, and Permits	2,655	50		2,705
Earnings on Investments	7,482	61		7,543
Miscellaneous	22,511	459	9,843	32,813
<b>Total Cash Receipts</b>	<b>262,407</b>	<b>39,599</b>	<b>221,892</b>	<b>523,898</b>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	173,803			173,803
Public Health Services	1,842			1,842
Leisure Time Activities		6,404		6,404
Basic Utility Services	22,141			22,141
Transportation	5,974	44,025		49,999
General Government	49,985		12,090	62,075
Debt Service:				
Principal Payments			138,420	138,420
Interest Payments			510	510
Capital Outlay			140,162	140,162
<b>Total Cash Disbursements</b>	<b>253,745</b>	<b>50,429</b>	<b>291,182</b>	<b>595,356</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>8,662</b>	<b>(10,830)</b>	<b>(69,290)</b>	<b>(71,458)</b>
<b>Other Financing Receipts and (Disbursements)</b>				
Transfers-In		17,440		17,440
Transfers-Out	(17,440)			(17,440)
Other Financing Uses			(1,405)	(1,405)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(17,440)</b>	<b>17,440</b>	<b>(1,405)</b>	<b>(1,405)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,778)	6,610	(70,695)	(72,863)
Fund Cash Balances, January 1	186,091	31,315	369,850	587,256
<b>Fund Cash Balances, December 31</b>	<b>\$ 177,313</b>	<b>\$ 37,925</b>	<b>\$ 299,155</b>	<b>\$ 514,393</b>
Reserves for Encumbrances, December 31			\$ 31,912	\$ 31,912

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, 2003

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 289,202
Miscellaneous	5,943
	295,145
<b>Operating Cash Disbursements</b>	
Personal Services	98,260
Contractual Services	56,561
Supplies and Materials	37,840
Capital Outlay	10,000
	202,661
Total Operating Cash Disbursements	202,661
Operating Income	92,484
<b>Non-Operating Cash Disbursements</b>	
Redemption of Principal	71,216
Interest	6,760
Other Non-Operating Cash Disbursements	6,592
	84,568
Total Non-Operating Cash Disbursements	84,568
Net Receipts Over Disbursements	7,916
Fund Cash Balances, January 1	192,863
<b>Fund Cash Balances, December 31</b>	<b>\$ 200,779</b>
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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 28,040			\$ 28,040
Municipal Income Taxes	97,571		\$ 198,099	295,670
Special Assessments			470	470
Intergovernmental Receipts	110,381	\$ 36,315		146,696
Fines, Licenses, and Permits	5,017			5,017
Earnings on Investments	14,386	57		14,443
Miscellaneous	10,955	740	22,180	33,875
<b>Total Cash Receipts</b>	<b>266,350</b>	<b>37,112</b>	<b>220,749</b>	<b>524,211</b>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	152,392			152,392
Public Health Services	1,935			1,935
Leisure Time Activities		4,329		4,329
Basic Utility Services	50,613			50,613
Transportation	2,244	39,811		42,055
General Government	50,933			50,933
Capital Outlay	20,000		265,937	285,937
<b>Total Cash Disbursements</b>	<b>278,117</b>	<b>44,140</b>	<b>265,937</b>	<b>588,194</b>
<b>Total Disbursements Over Receipts</b>	<b>(11,767)</b>	<b>(7,028)</b>	<b>(45,188)</b>	<b>(63,983)</b>
<b>Other Financing Receipts and (Disbursements)</b>				
Sale of Bonds or Notes			200,000	200,000
Transfers-In		15,000		15,000
Transfers-Out	(15,000)			(15,000)
Other Financing Uses			(12,812)	(12,812)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(15,000)</b>	<b>15,000</b>	<b>187,188</b>	<b>187,188</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,767)	7,972	142,000	123,205
Fund Cash Balances, January 1	212,858	23,343	227,850	464,051
<b>Fund Cash Balances, December 31</b>	<b>\$ 186,091</b>	<b>\$ 31,315</b>	<b>\$ 369,850</b>	<b>\$ 587,256</b>
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, 2002

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 285,358
Miscellaneous	5,871
	291,229
<b>Operating Cash Disbursements</b>	
Personal Services	91,067
Contractual Services	55,295
Supplies and Materials	32,679
Capital Outlay	49,657
	228,698
Total Operating Cash Disbursements	228,698
Operating Income	62,531
<b>Non-Operating Cash Disbursements</b>	
Redemption of Principal	20,885
Interest	6,568
Other Non-Operating Cash Disbursements	5,434
	32,887
Total Non-Operating Cash Disbursements	32,887
Net Receipts Over Disbursements	29,644
Fund Cash Balances, January 1	163,219
<b>Fund Cash Balances, December 31</b>	<b>\$ 192,863</b>
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, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Pandora, Putnam County, (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:

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**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 Fund**

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.

**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:

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

School Utilities Fund - This fund receives proceeds of notes. The proceeds were used to construct water and sewer lines to the new school site.

**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.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**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.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**2. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$ 482,320	\$ 551,263
Certificates of deposit	232,852	228,856
Total deposits	\$ 715,172	\$ 780,119

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 241,687	\$ 262,407	\$ 20,720
Special Revenue	73,479	57,039	(16,440)
Capital Projects	400,000	221,892	(178,108)
Enterprise	250,000	295,145	45,145
Total	\$ 965,166	\$ 836,483	\$ (128,683)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 427,778	\$ 271,185	\$ 156,593
Special Revenue	104,796	50,429	54,367
Capital Projects	769,850	324,499	445,351
Enterprise	442,863	287,229	155,634
Total	\$ 1,745,287	\$ 933,342	\$ 811,945

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 291,623	\$ 266,350	\$ (25,273)
Special Revenue	57,044	52,112	(4,932)
Capital Projects	450,000	420,749	(29,251)
Enterprise	250,000	291,229	41,229
Total	<u>\$ 1,048,667</u>	<u>\$ 1,030,440</u>	<u>\$ (18,227)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 504,481	\$ 293,117	\$ 211,364
Special Revenue	80,387	44,140	36,247
Capital Projects	677,851	278,749	399,102
Enterprise	413,219	261,585	151,634
Total	<u>\$ 1,675,938</u>	<u>\$ 877,591</u>	<u>\$ 798,347</u>

The Village did not certify funds as required by Ohio Revised Code § 5705.41(D) and had \$31,912 in outstanding purchase commitments that were not certified as of December 31, 2003.

**4. 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.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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.

**5. 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.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 62,786	6.25%
Ohio Public Works Commission Loan	<u>114,750</u>	
Total	<u><u>\$ 177,536</u></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 approved \$170,000 in zero percent loans to the Village for this project, in 1996. The loans are being repaid in semiannual installments of \$4,250 over 20 years.



**VILLAGE OF PANDORA  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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>
2004	\$ 5,663	\$ 4,250
2005	11,326	8,500
2006	11,326	8,500
2007	11,326	8,500
2008	11,326	8,500
2009 – 2013	28,315	42,500
2014 – 2017		34,000
Total	<u>\$ 79,282</u>	<u>\$ 114,750</u>

**7. 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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS 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 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants’ gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**8. 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, 2003 AND 2002  
(Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. 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-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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, 2001 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained Earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>
 <u>Property Coverage</u>	 <u>2002</u>	 <u>2001</u>
Assets	\$2,565,408	\$1,890,323
Liabilities	(655,318)	(469,100)
Retained Earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

The Village also provides health insurance to fulltime employees.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, Putnam County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 14, 2004. 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 2003-001.

**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 April 14, 2004.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 14, 2004

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision 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. This section also provides two exceptions to the above requirement:

- 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrance, the Village Council may authorize the issuance of a warrant 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. Amounts less than \$1,000 (\$3,000 effective April 6, 2003) may be paid by the fiscal officer without such affirmation of the Village Council upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.

None of the Village's transactions were certified by the Clerk-Treasurer. In addition, the Village had \$31,912 in outstanding purchase commitments as of December 31, 2003 that were not certified at year end. The accompanying financial statements have been adjusted to reflect the \$31,912 as an outstanding encumbrance in the capital projects funds as of December 31, 2003. Certification is not only required by Ohio law but is a key control in the disbursement process to assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all transactions receive prior certification by the Clerk-Treasurer. When prior certification is not possible, "then and now" certificates should be used. In addition, the Village Council should periodically review the expenditures made to ensure they are certified by the Clerk-Treasurer and recorded against appropriations.

**VILLAGE OF PANDORA  
PUTNAM COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30269-001	<b>ORC § 5705.41(D)</b> failure to certify funds	No	The finding has not been corrected and is repeated in this report as finding number 2003-001.



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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  
MAY 11, 2004**