



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF PAYNE  
PAULDING COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Payne  
Paulding County  
131 North Main Street, PO Box 58  
Payne, Ohio 45880-0058

To the Village Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Payne, Paulding County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction Maintenance and Repair, Emergency Medical Service,

Fire Equipment and Maintenance and Police funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 15, 2010

Village of Payne  
Paulding County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008  
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This discussion and analysis of the Village of Payne's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2008, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2008 are as follows:

- Net assets of governmental activities increased \$74,055, or 26 percent, a significant change from the prior year. Increases in charges for services collected for Emergency Medical Services and intergovernmental revenues were the primary reasons for this change.
- In 2008, The Village's business type activities, Enterprise Funds, had a net asset increase of \$3,164 as compared to the 2007 net asset decrease of \$1,118.
- 2008 Annexations into the Village were: 17.395 acres in the Southeast Quarter of Section 35 of Harrison Township (Village CSO retention pond) and 1 acre in the Northwest Quarter of Section 35 of Harrison Township (Foxbury Apartments).
- A new 1.0 mill Police Levy was passed with an estimated annual property tax revenue of \$14,254.
- The Village, in cooperation with the Ohio EPA, began to develop a Drinking Water Source Protection Plan.
- The Village was awarded a \$92,800 OWPC Issue 2 Grant for a water line replacement project on South Main St., between Townline and West Streets. The Village's share of the \$116,000 project is \$23,200. Construction on the project is to begin in 2009.

### **Using the Basic Financial Statements**

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

#### **Report Components**

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

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

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

#### **Basis of Accounting**

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements.

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Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

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

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

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

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

Business-type activity. The Village has three business-type activities, the provision of water, sewer and refuse collection services. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Government's Most Significant Funds**

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Construction and Maintenance Fund, Emergency Medical Service Fund, Fire Equipment and Maintenance Fund, Police Fund and Combined Sewer Overflow Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.



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

**The Government as a Whole**

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

(Table 1)

**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Cash and Cash Equivalents	\$310,618	\$236,563	\$74,306	\$72,449	\$384,924	\$309,012
Investments	50,000	50,000	1,307		51,307	50,000
<b>Total Assets</b>	<b>\$360,618</b>	<b>\$286,563</b>	<b>\$75,613</b>	<b>\$72,449</b>	<b>\$436,231</b>	<b>\$359,012</b>
<b>Net Assets</b>						
Restricted for:						
Other Purposes	\$246,351	\$190,324			\$246,351	\$190,324
Unrestricted	114,267	96,239	\$75,613	\$72,449	189,880	168,688
<b>Total Net Assets</b>	<b>\$360,618</b>	<b>\$286,563</b>	<b>\$75,613</b>	<b>\$72,449</b>	<b>\$436,231</b>	<b>\$359,012</b>

As mentioned previously, net assets of governmental activities increased \$74,055 or 26 percent during 2008. The primary reasons contributing to the increases in cash balances are as follows:

- General Fund fund balance increased \$18,028 due to a decrease in the amount of funds transferred to the Police Fund for Police department operating expenses.
- State Highway Fund fund balance decreased \$10,565 due to increased repairs to state routes within the Village.
- Emergency Medical Services Fund fund balance increased \$33,297 due to increased service fees and a \$7,058 State Grant.
- Fire Equipment and Maintenance Fund fund balance increased \$32,339 due to a \$5,000 in donations towards a fire siren and towards the fire department and a decrease of \$16,712 in operating disbursements

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Table 2 reflects the changes in net assets on the cash basis in 2008 and 2007 for governmental activities, business-type activities and total primary government.

Program Receipts:						
Charges for Services and Sales	\$124,472	\$99,379	\$314,196	\$316,519	\$438,668	\$415,898
Operating Grants and Contributions	98,734	80,941			98,734	80,941
Capital Grants and Contributions	21,104				21,104	
<b>Total Program Receipts</b>	<b>244,310</b>	<b>180,320</b>	<b>314,196</b>	<b>316,519</b>	<b>558,506</b>	<b>496,839</b>
General Receipts:						
Property and Other Local Taxes	134,561	152,427			134,561	152,427
Other Taxes	102	322			102	322
Grants and Entitlements Not Restricted to Specific Programs	58,148	42,815			58,148	42,815
Sale of Notes	51,650			20,000	51,650	20,000
Cable Franchise Fees	10,837	11,125			10,837	11,125
Earnings on Investments	3,081	3,204			3,081	3,204
Miscellaneous	7,601	890	1,429	325	9,030	1,215
<b>Total General Receipts</b>	<b>265,980</b>	<b>210,783</b>	<b>1,429</b>	<b>20,325</b>	<b>267,409</b>	<b>231,108</b>
<b>Total Receipts</b>	<b>510,290</b>	<b>391,103</b>	<b>315,625</b>	<b>336,844</b>	<b>825,915</b>	<b>727,947</b>
Disbursements:						
Security of Persons and Property	183,987	187,927			183,987	187,927
Public Health Services	1,950	2,600			1,950	2,600
Leisure Time Activities	6,344	36,392			6,344	36,392
Transportation	65,382	78,018			65,382	78,018
General Government	109,839	95,166			109,839	95,166
Capital Outlay	68,733	32,706			68,733	32,706
Water			187,714	162,237	187,714	162,237
Sewer			65,319	112,411	65,319	112,411
Refuse Collection			59,428	63,311	59,428	63,311
Water and Sewer Advance Deposit				3		3
<b>Total Disbursements</b>	<b>436,235</b>	<b>432,809</b>	<b>312,461</b>	<b>337,962</b>	<b>748,696</b>	<b>770,771</b>
<b>Increase (Decrease) in Net Assets</b>	<b>74,055</b>	<b>(41,706)</b>	<b>3,164</b>	<b>(1,118)</b>	<b>77,219</b>	<b>(42,824)</b>
Net Assets January 1	286,563	328,269	72,449	73,567	359,012	401,836
<b>Net Assets December 31</b>	<b>\$360,618</b>	<b>\$286,563</b>	<b>\$75,613</b>	<b>\$72,449</b>	<b>\$436,231</b>	<b>\$359,012</b>

Program receipts represent 68 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as fire protection contracts, Emergency Medical Services run charges, water fees, sewer fees, refuse collection fees, motor vehicle license and gas tax money, building permits and inspection fees.

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General receipts in the governmental activities represent 52 percent of the Village's total governmental receipts, and of this amount, over 51 percent is from local property taxes. State and federal grants and entitlements, cable franchise fees and investment income make up 27 percent of the balance of the Village's general receipts. Proceeds from the sale of notes make up 19%. Other receipts are usually insignificant (3 percent) and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of the Mayor's office, Council, Clerk-Treasurer, Zoning activities, building maintenance/utilities, County and State Auditor fees as well as internal services such as accounting, payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 45 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of Police and Fire protection; Public Health Services is the Health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, general government, capital outlay, and transportation which account for 42 percent, 25 percent, 16 percent and 15 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Security of Persons and Property	\$183,987	\$28,283	\$187,927	\$76,871
Public Health Services	1,950	1,950	2,600	2,600
Leisure Time Activities	6,344	(17,225)	36,392	36,232
Community Environment		(425)		(370)
Transportation	65,382	5,925	78,018	16,953
General Government	109,839	104,684	95,166	87,497
Capital Outlay	68,733	68,733	32,706	32,706
<b>Total Expenses</b>	<b>\$436,235</b>	<b>\$191,925</b>	<b>\$432,809</b>	<b>\$252,489</b>

The dependence upon property receipts is apparent as 43 percent of governmental activities are supported through these general receipts.

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Management's Discussion and Analysis  
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### **Business-type Activities**

The Water Operating Fund had a net loss of \$4,319 because repair costs were higher than anticipated and the water line addition for a new apartment complex. The Sewer Operating Fund net gain of \$6,329 was from increased sewer collections received from utility customers.

### **The Village's Funds**

Total governmental funds had receipts and other financing sources of \$530,290, and disbursements and other financing uses of \$456,235. The greatest change within governmental funds occurred within the Emergency Medical Services Fund which increased \$33,297 due to an increase in the amount of service fees received from patients. The fund balance of the General Fund increased \$18,028 due to a decrease in the amount of funds transferred to the Police Fund to operate the Village Police Department. The State Highway Fund decreased \$10,565 because of increases in street maintenance and repair. The Fire Equipment and Maintenance Fund balance increased \$32,339 due to \$5,000 in donations for a Village fire and decrease operating cost.

### **General Fund Budgeting Highlights**

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

During 2008, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts and other financing sources were below original budgeted amounts by \$28,800 due to an over estimate of interfund transfers. There was no change in final and actual amounts.

Original disbursements and other financing uses were \$225,721 compared to final budgeted amounts of \$165,221 while actual disbursements and other financing uses were \$145,163. Appropriations were reduced to reflect the decrease in the amount of final budgeted revenues. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$14,700 for 2008.

### **Debt Administration**

At December 31, 2008, the Village's outstanding debt included \$97,102 promissory note for the new water tower and water facility improvements being repaid from the Water Operating Fund; a loan of \$51,650 from the Ohio Water Development Authority to be used for the combined sewer overflow interceptor/retention pond project and the \$18,198 Safe Water Fund Loan to acquire land for a sewer retention pond being repaid from the Sewer Operating Fund. For further information regarding the Government's debt, refer to Note 9 to the basic financial statements.

### **Current Issues**

The challenge for all Village's is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village and will endeavor to cut expenses.

### **Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ronald Etzler, Clerk-Treasurer, Village of Payne, P. O. Box 58, Payne, OH 45880.

**PAYNE VILLGE, PAULDING COUNTY**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2008*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$310,618	\$74,306	\$384,924
Investments	50,000	1,307	51,307
<i>Total Assets</i>	<u>\$360,618</u>	<u>\$75,613</u>	<u>\$436,231</u>
<b>Net Assets</b>			
Restricted for:			
Other Purposes	\$246,351		\$246,351
Unrestricted	114,267	\$75,613	189,880
<i>Total Net Assets</i>	<u>\$360,618</u>	<u>\$75,613</u>	<u>\$436,231</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**

Statement of Activities - Cash Basis

For the Year Ended December 31, 2008

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Security of Persons and Property	\$183,987	\$110,595	\$45,109	
Public Health Services	1,950			
Leisure Time Activities	6,344	2,465		\$21,104
Community Environment		425		
Transportation	65,382	5,832	53,625	
General Government	109,839	5,155		
Capital Outlay	68,733			
<i>Total Governmental Activities</i>	436,235	124,472	98,734	21,104
<b>Business Type Activities</b>				
Water Operating	187,714	182,262		
Sewer Operating	65,319	71,353		
Refuse Collection	59,428	60,581		
<i>Total Business Type Activities</i>	312,461	314,196		
<i>Total Primary Government</i>	\$748,696	\$438,668	\$98,734	\$21,104

**General Receipts**

Property Taxes  
 Other Taxes  
 Grants and Entitlements not Restricted to Specific Programs  
 Sale of Notes  
 Cable Franchise Fees  
 Earnings on Investments  
 Miscellaneous

*Total General Receipts*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

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Net (Disbursements) Receipts and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
(\$28,283)		(\$28,283)
(1,950)		(1,950)
17,225		17,225
425		425
(5,925)		(5,925)
(104,684)		(104,684)
(68,733)		(68,733)
(191,925)		(191,925)
	(\$5,452)	(5,452)
	6,034	6,034
	1,153	1,153
	1,735	1,735
(\$191,925)	\$1,735	(\$190,190)
\$134,561		\$134,561
102		102
58,148		58,148
51,650		51,650
10,837		10,837
3,081		3,081
7,601	\$1,429	9,030
265,980	1,429	267,409
74,055	3,164	77,219
286,563	72,449	359,012
\$360,618	\$75,613	\$436,231

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statements of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2008*

	GENERAL FUND	STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND	EMERGENCY MEDICAL SERVICE FUND	FIRE EQUIPMENT AND MAINTENANCE FUND
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$64,267	\$7,605	\$74,541	\$113,666
Investments	50,000			
<i>Total Assets</i>	<u>\$114,267</u>	<u>\$7,605</u>	<u>\$74,541</u>	<u>\$113,666</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$3,328	\$1,074	\$1,521	\$1,218
Unreserved:				
Undesignated, Reported in:				
General Fund	110,939			
Special Revenue Funds		6,531	73,020	112,448
<i>Total Fund Balances</i>	<u>\$114,267</u>	<u>\$7,605</u>	<u>\$74,541</u>	<u>\$113,666</u>

See accompanying notes to the basic financial statements



POLICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$7,198	\$43,341	\$310,618
<u>\$7,198</u>	<u>\$43,341</u>	<u>\$360,618</u>
\$1,208		\$8,349
5,990	43,341	110,939
<u>\$7,198</u>	<u>\$43,341</u>	<u>\$360,618</u>

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year December 31, 2008

	GENERAL FUND	STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND	EMERGENCY MEDICAL SERVICE FUND	FIRE EQUIPMENT AND MAINTENANCE FUND	POLICE FUND	COMBINED SEWER OVERFLOW FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>								
Property and Other Local Taxes	\$56,812		\$5,411	\$31,168	\$41,272		\$5,832	\$140,495
Intergovernmental	79,252	\$49,603	7,588	11,624	24,897		4,022	176,986
Charges for Services	2,465		76,724	33,866				113,055
Fines, Licenses and Permits	16,167				255			16,422
Earnings on Investments	2,964	24					93	3,081
Miscellaneous	2,203		3	5,146	1,249			8,601
<b>Total Receipts</b>	<b>159,863</b>	<b>49,627</b>	<b>89,726</b>	<b>81,804</b>	<b>67,673</b>		<b>9,947</b>	<b>458,640</b>
<b>Disbursements</b>								
Current:								
Security of Persons and Property	392		51,470	46,155	85,970			183,987
Public Health Services	1,950							1,950
Leisure Time Activities	6,344							6,344
Transportation		50,730					14,652	65,382
General Government	109,839							109,839
Capital Outlay	3,310		4,959	3,310	5,504	\$51,650		68,733
<b>Total Disbursements</b>	<b>121,835</b>	<b>50,730</b>	<b>56,429</b>	<b>49,465</b>	<b>91,474</b>	<b>51,650</b>	<b>14,652</b>	<b>436,235</b>
Excess of Receipts Over (Under) Disbursements	38,028	(1,103)	33,297	32,339	(23,801)	(51,650)	(4,705)	22,405
Other Financing Sources (Uses)								
Loan Proceeds						51,650		51,650
Transfers In					20,000			20,000
Transfers Out	(20,000)							(20,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(20,000)</b>				<b>20,000</b>	<b>51,650</b>		<b>51,650</b>
Net Change in Fund Balances	18,028	(1,103)	33,297	32,339	(3,801)		(4,705)	74,055
Fund Balances Beginning of Year	96,239	8,708	41,244	81,327	10,999		48,046	286,563
Fund Balances End of Year	\$114,267	\$7,605	\$74,541	\$113,666	\$7,198		\$43,341	\$360,618

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$65,350	\$65,261	\$56,812	(\$8,449)
Intergovernmental	71,150	70,803	79,252	8,449
Charges for Services	1,000	2,465	2,465	
Fines, Licenses and Permits	16,600	16,167	16,167	
Earnings on Investments	3,500	2,964	2,964	
Miscellaneous	1,063	2,203	2,203	
<i>Total receipts</i>	<u>158,663</u>	<u>159,863</u>	<u>159,863</u>	
<b>Disbursements</b>				
Current:				
Security of Persons and Property	2,091	881	392	489
Public Health Services	4,100	2,300	1,950	350
Leisure Time Activities	6,064	7,064	6,344	720
Transportation	2,700	700	700	700
General Government	140,766	129,266	113,167	16,099
Capital Outlay	10,000	4,000	3,310	690
<i>Total Disbursements</i>	<u>165,721</u>	<u>144,211</u>	<u>125,163</u>	<u>19,048</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,058)</u>	<u>15,652</u>	<u>34,700</u>	<u>(19,048)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	30,000			
Transfers Out	<u>(60,000)</u>	<u>(21,010)</u>	<u>(20,000)</u>	<u>1,010</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(21,010)</u>	<u>(20,000)</u>	<u>1,010</u>
<i>Net Change in Fund Balance</i>	<u>(37,058)</u>	<u>(5,358)</u>	<u>14,700</u>	<u>20,058</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	91,574	91,574	91,574	
Prior Year Encumbrances Appropriated	<u>4,665</u>	<u>4,665</u>	<u>4,665</u>	
<i>Unencumbered Cash Balance End of Year</i>	<u>\$59,181</u>	<u>\$90,881</u>	<u>\$110,939</u>	<u>\$20,058</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Street Construction Maintenance and Repair Fund  
 For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$46,027	\$51,000	\$49,603	(\$1,397)
Earnings on Investments	50	50	24	(26)
<i>Total receipts</i>	<u>46,077</u>	<u>51,050</u>	<u>49,627</u>	<u>(1,423)</u>
<b>Disbursements</b>				
Current:				
Transportation	<u>54,786</u>	<u>54,786</u>	<u>51,804</u>	<u>2,982</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(8,709)</u>	<u>(3,736)</u>	<u>(2,177)</u>	<u>1,559</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	7,922	7,922	7,922	
Prior Year Encumbrances Appropriated	<u>786</u>	<u>786</u>	<u>786</u>	
<i>Unencumbered Cash Balance End of Year</i>	<u>(\$1)</u>	<u>\$4,972</u>	<u>\$6,531</u>	<u>\$1,559</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Emergency Medical Services Fund*  
*For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$5,000	\$6,000	\$5,411	(\$589)
Intergovernmental	7,900	8,100	7,588	(512)
Charges for Services	22,470	77,600	76,724	(876)
Miscellaneous		10	3	(7)
<i>Total receipts</i>	<u>35,370</u>	<u>91,710</u>	<u>89,726</u>	<u>(1,984)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	54,414	56,414	52,991	3,423
Capital Outlay	22,800	5,800	4,959	841
<i>Total Disbursements</i>	<u>77,214</u>	<u>62,214</u>	<u>57,950</u>	<u>4,264</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(41,844)</u>	<u>29,496</u>	<u>31,776</u>	<u>2,280</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	40,730	40,730	40,730	
Prior Year Encumbrances Appropriated	514	514	514	
<i>Unencumbered Cash Balance End of Year</i>	<u>(\$600)</u>	<u>\$70,740</u>	<u>\$73,020</u>	<u>\$2,280</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Fire Equipment and Maintenance Fund*  
*For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$11,400	\$36,500	\$31,168	(\$5,332)
Intergovernmental	8,250	7,500	11,624	4,124
Charges for Services	9,600	34,000	33,866	(134)
Miscellaneous	4,111	5,500	5,146	(354)
<i>Total receipts</i>	<u>33,361</u>	<u>83,500</u>	<u>81,804</u>	<u>(1,696)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	88,943	55,443	47,373	8,070
Capital Outlay	25,000	5,000	3,310	1,690
<i>Total Disbursements</i>	<u>113,943</u>	<u>60,443</u>	<u>50,683</u>	<u>9,760</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(80,582)</u>	<u>23,057</u>	<u>31,121</u>	<u>8,064</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	79,708	79,708	79,708	
Prior Year Encumbrances Appropriated	1,619	1,619	1,619	
<i>Unencumbered Cash Balance End of Year</i>	<u>\$745</u>	<u>\$104,384</u>	<u>\$112,448</u>	<u>\$8,064</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Police Fund*  
*For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$47,100	\$52,000	\$41,272	(\$10,728)
Intergovernmental	9,587	16,300	24,897	8,597
Fines, Licenses and Permits	500	500	255	(245)
Miscellaneous	100	1,300	1,249	(51)
<i>Total receipts</i>	<u>57,287</u>	<u>70,100</u>	<u>67,673</u>	<u>(2,427)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	90,390	91,390	87,178	4,212
Capital Outlay	7,000	6,000	5,504	496
<i>Total Disbursements</i>	<u>97,390</u>	<u>97,390</u>	<u>92,682</u>	<u>4,708</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(40,103)</u>	<u>(27,290)</u>	<u>(25,009)</u>	<u>2,281</u>
Other Financing Sources				
Transfers In	30,000	20,000	20,000	
<i>Net Change in Fund Balance</i>	(10,103)	(7,290)	(5,009)	2,281
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>10,999</u>	<u>10,999</u>	<u>10,999</u>	
<i>Unencumbered Cash Balance End of Year</i>	<u>\$896</u>	<u>\$3,709</u>	<u>\$5,990</u>	<u>\$2,281</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2008*

	WATER OPERATING FUND	SEWER OPERATING FUND	REFUSE COLLECTION FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$38,503	\$13,621	\$16,743	\$5,439	\$74,306
Investments				1,307	1,307
<i>Total Assets</i>	<u>\$38,503</u>	<u>\$13,621</u>	<u>\$16,743</u>	<u>\$6,746</u>	<u>\$75,613</u>
<b>Net Assets</b>					
Unrestricted	<u>\$38,503</u>	<u>\$13,621</u>	<u>\$16,743</u>	<u>\$6,746</u>	<u>\$75,613</u>

See accompanying notes to the basic financial statements



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

	WATER OPERATING FUND	SEWER OPERATING FUND	REFUSE COLLECTION FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
<b>Operating Receipts</b>					
Charges for Services	\$182,262	\$71,353	\$60,581		\$314,196
Other Operating Receipts	1,133	295			1,428
<i>Total Operating Receipts</i>	<u>183,395</u>	<u>71,648</u>	<u>60,581</u>		<u>315,624</u>
<b>Operating Disbursements</b>					
Personal Services	44,475	11,513			55,988
Employee Fringe Benefits	18,090	1,693			19,783
Contractual Services	37,394	9,514	59,428		106,336
Supplies and Materials	43,839	5,190			49,029
Other	13,068	33,104			46,172
<i>Total Operating Disbursements</i>	<u>156,866</u>	<u>61,014</u>	<u>59,428</u>		<u>277,308</u>
<i>Operating Income</i>	<u>26,529</u>	<u>10,634</u>	<u>1,153</u>		<u>38,316</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Capital Outlay	(2,534)	(1,393)			(3,927)
Principal Payments	(23,583)	(1,666)			(25,249)
Interest and Fiscal Charges	(4,731)	(1,246)			(5,977)
Other Financing Sources				\$1	1
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(30,848)</u>	<u>(4,305)</u>		<u>1</u>	<u>(35,152)</u>
<i>Net Income (Loss)</i>	<u>(4,319)</u>	<u>6,329</u>	<u>1,153</u>	<u>1</u>	<u>3,164</u>
<i>Net Assets Beginning of Year</i>	<u>42,822</u>	<u>7,292</u>	<u>15,590</u>	<u>6,745</u>	<u>72,449</u>
<i>Net Assets End of Year</i>	<u>\$38,503</u>	<u>\$13,621</u>	<u>\$16,743</u>	<u>\$6,746</u>	<u>\$75,613</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

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**NOTE 1 – REPORTING ENTITY**

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

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

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

**B. Component Units**

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

**C. Public Entity Risk Pools**

The Village participates in two public entity risk pools. Note 6 to the financial statements provides additional information for these entities.

Public Entity Risk Pool:

Ohio Government Risk Management Plan

Ohio Municipal League's Workers' Compensation Group Rating Plan

The Village believes these financial statements present all activities for which it is financially accountable.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As further discussed in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

**B. Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. Fund accounting is designated to demonstrate legal compliance and aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Village are grouped into two categories, Governmental and Proprietary.

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts and other non-exchange transactions as Governmental Funds. The following are the Village's major Governmental Funds:

General Fund- The General Fund is the general operating fund. It is use to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

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

Emergency Medical Services Fund- This Fund receives revenue from property taxes and charges for services to provide emergency medical services to residents of the Village. Charges for services revenue is received from Benton, Harrison and Paulding Townships through annual contracts to provide emergency medical services to their residents.

Fire Equipment and Maintenance Fund- This Fund receives revenue from property taxes to provide fire protection to residents of the Village. Charges for services revenue is received from Benton and Harrison Townships through annual contracts to provide services to their residents.

Police Fund- This Fund receives revenue from property taxes to provide protection to residents of the Village. The Police Fund is not self supporting and supplemented by transfers from the General Fund.

Combined Sewer Overflow Fund - This Fund received loan proceeds to purchase 17.2468 acres for the construction of a sewer retention pond required by an Ohio Environmental Protection Agency mandate.

Proprietary Funds

The Village classifies Funds financed primarily from user charges for goods or services as Propriety. Proprietary Funds are classified as Enterprise Funds. The following are Village's major Enterprise Funds:

Water Fund- This Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund- This Fund for the provision of sanitary sewer services to the residents and commercial users located within the Village.

Refuse Fund- This Fund accounts for the provision of refuse collection services to the residents and commercial users located within the Village.

**C. Basis of Accounting**

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

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

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

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

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

**E. Cash and Investments**

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

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

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

During 2008, the Village invested in a certificate of deposit which is recorded at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$2,964 which includes \$2,157 assigned from other Village funds. Additional interest earnings credited was, \$24 to the Street Construction and Maintenance Fund, \$65 to the State Highway Fund and \$28 to the Permissive Auto Vehicle License Fund.

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Inventory and Prepaid Items**

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

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

**H. Inter Fund Receivables/Payables**

The Village reports Advances In and Advances Out for inter fund loans. These items are not reflected as Assets and Liabilities in the accompanying financial statements.

**I. Accumulated Leave**

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

**J. Employer Contributions to Cost Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a Capital Outlay expenditure are reported at inception. Lease payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street construction/maintenance, emergency medical services, fire and police protection and capital projects.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. There are no amounts restricted due to enabling legislation.

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. An unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Inter fund Transactions**

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

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

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$3,328 General Fund, \$1,074 Street Construction and Maintenance Fund, \$1,521 Emergency Medical Services Fund, \$1,218 Fire Equipment and Maintenance Fund, and \$1,208 Police Fund.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the Village had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Village received a "Statement of Compliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) Statement from its authorized depository, First Financial Bank.

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

**NOTE 5 – PROPERTY TAXES**

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



VILLAGE OF PAYNE  
PAULDING COUNTY

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

**NOTE 5 – PROPERTY TAXES (Continued)**

annually or semiannually. If paid annually, payment was due February 6, 2008; if paid semiannually, the first payment was due February 6, 2008, with the remainder payable by July 16, 2008. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2008, was \$13.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property		
Residential	\$	10,064,330
Agricultural		16,660
Commercial/Industrial/Mineral		3,128,880
Tangible Personal Property		
Business		12,000
Public Utility		462,820
Total Assessed Value	\$	<u>13,684,690</u>

**NOTE 6 - RISK POOL MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk management Plan (the "Plan"), a non-assessable, an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage's programs, referred to as Ohio Plan Risk management ("OPRM") are developed specific to for each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts,

VILLAGE OF PAYNE  
PAULDING COUNTY

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

**NOTE 6 - RISK POOL MANAGEMENT (Continued)**

which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village does not participate in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a Member chooses not to renew with the Plan, they have no other obligation to the Plan, but still need to promptly notify the Plan of any potential claims during their membership period. The former Member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following Assets, Liabilities and Retained Earnings at December 31, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members' Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village also belongs to the Ohio Municipal League's Rating Plan, a program created as a result of Amended House Bill 222 that mandated the creation of the Worker's Compensation Group Rating Program as defined in the ORC Section 4123.29. The group rating law permits employers to group together to potentially achieve a lower premium rate that they may not otherwise be able to acquire as individual employers. The requirements and qualification for organizing a group for group rating purposes are stated in the Ohio Bureau of Worker's Compensation (OWBC) group rating rules set forth in Chapters 4123-17-61 through 4123-17-68 of the Administrative Code. The OML Group Rating Program is intended to (1) manage worker's compensation costs to potentially achieve a lower compensation rate for Participants, (2) foster safer working environments, and (3) foster cost-effective claims management skills in the area of Worker's Compensation.

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2008, the members contribute 10.0 percent of their annual covered salaries. The 2008 employer contribution rate was 14.0 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$19,662, \$19,349, and \$18,387 respectively. These obligations are paid on a cash basis with 88 percent contributed for the year 2008 and 100 percent contributed for 2007 and 2006.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while the Village is required to contribute 19.5 percent for police officers. The Village's required contributions to the OP&F for the years ended December 31, 2008, 2007, and 2006 were \$7,601, \$7,401, and \$6,422. The Village has paid 79% of its required contributions for 2008, and 100% contributed for 2007 and 2006.

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 8 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan-a defined contribution plan; and the Combined Plan- a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 employer contribution rate was 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administer in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006, were \$9,831, \$7,684, and \$7,965, respectively. These obligations are paid on a cash basis with 88 percent contributed for the year 2008 and 100 percent contributed for 2007 and 2006.

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

**B. Ohio Police and Fire Pension Fund**

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

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)**

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants, and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 of covered payroll for employers. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustee's primary responsibility to ensure pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village contributions to OP&F for police to fund postemployment healthcare benefits for the years ending December 31, 2008, 2007, and 2006 were \$7,601, \$7,401 and \$6,422, respectively, of which \$2,630, \$2,561 and \$2,550, respectively, was allocated to the healthcare plan.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

**NOTE 9 - DEBT**

Debt outstanding as of December 31, 2008 was as follows:

DESCRIPTION	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
<u>Governmental-type Activities:</u>						
Ohio Water Development Authority	4.00%		\$51,650		\$51,650	
<u>Business-type Activities</u>						
Water Tower Loan Original Amount (\$385,000)	4.75%	\$120,685		\$23,583	97,102	\$24,660
Sewer Retention Pond Loan	4.00%	19,864		1,666	18,198	1,734
<b>Total</b>		<u>\$140,549</u>	<u>\$51,650</u>	<u>\$25,249</u>	<u>\$166,950</u>	<u>\$26,394</u>

The Village entered into a promissory note with a local bank. This was used to finance improvements to the water distribution system, mainly replacement of the water tower. The total drawn on this note was \$385,000. The loan is repaid from the Village's Water fund, which primarily funded by user fees. The note has a variable rate of interest not more than 11.25% or less than 4.75% during the term of the note. The rate may change annually but not more than 2% per year. The current interest rate is 4.75%.

The Sewer Retention Pond loan was used to complete the financing for the purchase of 17.2468 acres to be used for the construction of a sewer retention pond required by an Ohio Environmental Protection Agency mandate. This loan can be paid off prior to maturity. The total amount of the loan was \$20,000. The loan is repaid from the Village's Sewer fund, which is primarily funded by user fees. The note has a fixed interest of 4%.

The Ohio Water Development Authority (OWDA) Loan was used for the planning and design of the Village new Combined Sewer Overflow interceptor/Retention Pond project. The total amount to be drawn on this loan by the Village is \$102,926. The will be repaid from the Village Sewer Fund which is primarily funded by user fees. The note has a 4.00 rate of interest. A schedule of payments for the loan will be prepared by OWDA at the close of this loan.

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

Year	Water Tower Note		Sewer Retention Pond Loan	
	Principal	Interest	Principal	Interest
2009	\$24,660	\$4,141	\$1,734	\$696
2010	25,874	2,926	1,804	626
2011	27,147	1,653	1,878	552
2012	19,421	367	1,954	476
2013			2,034	396
2014–2017			8,794	722
<b>Totals</b>	<u>\$97,102</u>	<u>\$9,087</u>	<u>\$18,198</u>	<u>\$3,468</u>

VILLAGE OF PAYNE  
PAULDING COUNTY

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

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**NOTE 9 – DEBT (Continued)**

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008, were an overall debt margin of \$1,436,892 and an unvoted debt margin of \$752,658.

**NOTE 10 - LEASES**

The Village entered into a two (2) lease on May 17, 2007 with Homier & Sons, Inc. for a Ferris IS 2000 lawn mower. The total lease price was \$2,200 for the two (2) years and was paid at the lease agreement was sign.

**NOTE 11 – INTERFUND TRANSFERS**

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During 2008, \$20,000 was transferred from the General Fund to the Police Fund, which was used for the operating expenses of the Police Department.

**NOTE 12 – SUBSEQUENT EVENT**

On July 22, 2009, the construction bids for the Village's Combined Sewer Overflow Interceptor/Retention Pond Project were opened. The successful bidder for Contract A was Underground Utilities, Inc. at a cost of \$9,876. The successful bidder for Contract B was VTF Excavating, LLC at a cost of \$673,000. The Village was awarded a zero interest, 20 year, \$1,218,945 loan from the Water Pollution Control Loan Fund (WPCLF) to pay for the Project. In September, 2009, the Village was awarded a \$906,675 American Recovery and Reinvestment Act (ARRA) grant to be used against the \$1,218,945 principal amount of the WPCLF loan. The Village will need to pay off the remaining \$312,270 of the WPCLF loan over 20 years.

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# Mary Taylor, CPA

Auditor of State

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

Village of Payne  
Paulding County  
131 North Main Street, PO Box 58  
Payne, Ohio 45880-0058

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Payne, Paulding County, (the Village) as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 15, 2010 wherein, we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-001 is also a material weakness.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated April 15, 2010.

#### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated April 15, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

April 15, 2010

VILLAGE OF PAYNE  
PAULDING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008

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

**FINDING NUMBER 2008-001**

**Material Weakness – Budgetary Reporting**

Section 2400.102 of the Codification of Governmental Accounting Standards Board (GASB) Statements requires budgetary comparisons be presented for the general fund and for each major special revenue fund that has a legally adopted annual budget.

The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. A separate column to report the variance between the final budget and actual amounts is encouraged but not required.

The *original budget* is the first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances.

The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

The budget comparison presented by the Village included balances at beginning of the year as estimated receipts and as unencumbered cash balances at the beginning of the year. As a result, estimated revenues in the budget columns were overstated as noted below:

Fund	Budget Column	Amount		
General Fund	Original	\$33,972		
	Final	8,237		
Street Construction Maintenance and Repair Fund	Original	7,923		
Emergency Medical Services Fund	Original	41,330		
Fire Equipment and Maintenance Fund	Original	79,463		
Police Fund	Original	10,103		

Adjustments were made in the accompanying budget comparisons to correct the estimated revenues.

We recommend these amounts be presented as unencumbered cash balances at the beginning of the year and not estimated revenues on the Village's budget comparison presentation.

#### **FINDING NUMBER 2008-002**

##### **Significant Deficiency – Financial Reporting**

As a result of the audit procedures performed, Homestead and Rollback, Tangible Property Tax Replacement and Public Utility Reimbursements were misposted to "Taxes" instead of "Intergovernmental Revenue" in the General, Fire and Police Funds. Adjustments were made to reclassify \$8,449 in General fund, \$4,495 in the Fire Equipment and Maintenance fund, and \$9,663 in the Police to "Intergovernmental Revenues".

Sound Financial Reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk – Treasurer and Village Council, to identify and correct errors and omissions. The Clerk – Treasurer should also review the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements

##### **Official's Response:**

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Revised Code §5705.36 (A) (2), (4) and §5705.39 appropriations exceeded estimated and actual amounts available.	Yes	
2007-002	Revised Code §5705.09 and §5705.39 collections were allocated to wrong fund.	Yes	
2007-003	Material Weakness – Adjustments were made to budgetary comparison statements.	No	Reissued as Finding 2008-001 in this report.
2007-004	Material Weakness- Adjustments were made to financial statements	No	Reissued as Finding 2008-002 in this report.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF PAYNE**

**PAULDING 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, 2010**