



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF PAYNE  
PAULDING COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Payne  
Paulding County  
131 South Main Street  
P.O. Box 58  
Payne, Ohio 45880-0058

To the Village Council:

We have audited the accompanying financial statements of the Village of Payne (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

As described in Note 3, during 2000 the Village reclassified its street lighting fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Jim Petro**  
Auditor of State

June 12, 2002

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$36,163	\$60,539		\$96,702
Intergovernmental Receipts	59,147	56,961	\$52,200	168,308
Charges for Services		50,255		50,255
Fines, Licenses, and Permits	6,431	25		6,456
Earnings on Investments	11,451	1,385		12,836
Miscellaneous	12,044	802		12,846
	<hr/>			
Total Cash Receipts	125,236	169,967	52,200	347,403
<hr/>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	14,778	125,126		139,904
Public Health Services	1,385			1,385
Leisure Time Activities	2,953			2,953
Transportation	2,664	41,965		44,629
General Government	58,696			58,696
Debt Service:				
Principal Payments	2,200			2,200
Capital Outlay	12,275	20,922	46,815	80,012
	<hr/>			
Total Cash Disbursements	94,951	188,013	46,815	329,779
<hr/>				
Total Receipts Over/(Under) Disbursements	30,285	(18,046)	5,385	17,624
<hr/>				
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		42,872		42,872
Transfers-Out	(43,993)			(43,993)
	<hr/>			
Total Other Financing Receipts/(Disbursements)	(43,993)	42,872		(1,121)
<hr/>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,708)	24,826	5,385	16,503
<hr/>				
Fund Cash Balances, January 1	243,930	80,009	(5,385)	318,554
<hr/>				
<b>Fund Cash Balances, December 31</b>	<b>\$230,222</b>	<b>\$104,835</b>		<b>\$335,057</b>
<hr/>				
Reserves for Encumbrances, December 31	\$1,894	\$3,398		\$5,292
<hr/>				

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$274,587
Miscellaneous	3,543
	278,130
<b>Operating Cash Disbursements:</b>	
Personal Services	60,700
Contractual Services	126,815
Supplies and Materials	36,693
Capital Outlay	94,299
	318,507
Total Operating Cash Disbursements	318,507
Operating Loss	(40,377)
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Notes and Bonds	60,000
	60,000
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	28,789
	28,789
Excess of Disbursements Over Receipts Before Interfund Transfers	(9,166)
Transfers-In	1,121
	1,121
Net Disbursements Over Receipts	(8,045)
Fund Cash Balances, January 1	83,985
	83,985
<b>Fund Cash Balances, December 31</b>	<b>\$75,940</b>
Reserve for Encumbrances, December 31	\$2,043

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



**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$35,001	\$58,286		\$93,287
Intergovernmental Receipts	64,286	68,044	\$19,555	151,885
Charges for Services		43,543		43,543
Fines, Licenses, and Permits	8,798	50		8,848
Earnings on Investments	14,948	2,159		17,107
Miscellaneous	10,405	1,434		11,839
				<hr/>
Total Cash Receipts	<u>133,438</u>	<u>173,516</u>	<u>19,555</u>	<u>326,509</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	13,621	109,001		122,622
Public Health Services	1,858			1,858
Leisure Time Activities	1,906			1,906
Transportation		50,862		50,862
General Government	53,450			53,450
Capital Outlay	43,634	37,874	26,524	108,032
				<hr/>
Total Cash Disbursements	<u>114,469</u>	<u>197,737</u>	<u>26,524</u>	<u>338,730</u>
Total Receipts Over/(Under) Disbursements	18,969	(24,221)	(6,969)	(12,221)
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		23,554	3,287	26,841
Transfers-Out	(27,388)			(27,388)
				<hr/>
Total Other Financing Receipts/(Disbursements)	<u>(27,388)</u>	<u>23,554</u>	<u>3,287</u>	<u>(547)</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(8,419)	(667)	(3,682)	(12,768)
Fund Cash Balances, January 1	<u>252,349</u>	<u>80,676</u>	<u>(1,703)</u>	<u>331,322</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$243,930</u></b>	<b><u>\$80,009</u></b>	<b><u>(\$5,385)</u></b>	<b><u>\$318,554</u></b>
Reserves for Encumbrances, December 31	<u>\$686</u>	<u>\$1,924</u>		<u>\$2,610</u>

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$282,906
Miscellaneous	603
	283,509
Total Operating Cash Receipts	283,509
<b>Operating Cash Disbursements:</b>	
Personal Services	56,612
Contractual Services	114,291
Supplies and Materials	30,648
Capital Outlay	48,554
	250,105
Total Operating Cash Disbursements	250,105
Operating Income	33,404
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Notes	25,000
	28,789
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	28,789
	29,615
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	29,615
Transfers-In	547
Net Receipts over Disbursements	30,162
Fund Cash Balances, January 1	53,823
<b>Fund Cash Balances, December 31</b>	<b>\$83,985</b>
Reserve for Encumbrances, December 31	\$709

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Payne (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services including water and sewer utilities, refuse collection services, police services, fire protection services, emergency medical services, and park operations (leisure time activities).

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

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

Certificates of deposit are valued at cost

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

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

**3. Capital Project Funds**

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

*OPWC Fund* - This fund accounts for Ohio Public Works Commission project receipts and expenditures.

**4. Enterprise Funds**

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

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

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

*Refuse Fund* – This fund receives charges for services from residents to cover the cost of providing refuse service.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

**3. Encumbrances**

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

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. PRIOR PERIOD RESTATEMENT**

In prior years the Village had accounted for tax money from a tax levy approved for current expenses in a separate Street Lighting special revenue fund, for 2000 the Village began accounting for this money as part of the General fund.

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

	General Fund	Special Revenue Funds
Fund balances as previously reported at December 31, 1999	\$191,264	\$141,761
Adjustments for changes to fund structure	61,085	(61,085)
Adjusted balances January 1, 2000	\$252,349	\$80,676

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

	General Fund	Special Revenue Funds
Excess as previously reported at December 31, 1999	\$(3,354)	\$(31,685)
Adjustments for changes to fund structure	8,259	(8,259)
Adjusted excess at December 31, 1999	\$ 4,905	\$(23,426)

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

	2001	2000
Demand deposits	\$410,847	\$122,556
Cash on Hand	\$150	\$150
Certificates of deposit		279,833
Total deposits	\$410,997	\$402,539

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

**2001 Budgeted vs. Actual Receipts**

	Budgeted Receipts	Actual Receipts	Variance
General	\$126,665	\$125,236	(\$1,429)
Special Revenue	214,029	212,839	(1,190)
Capital Projects	5,515	52,200	46,685
Enterprise	339,250	339,251	1
Total	\$685,459	\$729,526	\$44,067

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$152,631	\$140,838	\$11,793
Special Revenue	264,105	191,411	72,694
Capital Projects	6,500	46,815	(40,315)
Enterprise	411,859	349,339	62,520
Total	\$835,095	\$728,403	\$106,692

**2000 Budgeted vs. Actual Receipts**

	Budgeted Receipts	Actual Receipts	Variance
General	\$135,897	\$133,438	(\$2,459)
Special Revenue	180,009	197,070	17,061
Capital Projects	62,732	22,842	(39,890)
Enterprise	309,056	309,056	
Total	\$687,694	\$662,406	(\$25,288)

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$168,287	\$142,543	\$25,744
Special Revenue	233,914	199,661	34,253
Capital Projects	77,150	26,524	50,626
Fiduciary	369,577	279,603	89,974
Total	\$848,928	\$648,331	\$200,597

**5. COMPLIANCE**

During 2001 and 2000, the Village did not consistently certify the availability of funds, as required by Ohio Revised Code § 5705.41(D).

The Village had deficit cash balances in the Street Construction, Maintenance and Repair; Police; Ohio Public Works Commission (OPWC); Water; and Refuse Funds at various times throughout 2000 and 2001, in amounts ranging from \$1,470 to \$66,338. In addition, the OPWC Fund had a deficit fund balance of \$5,385 at December 31, 2000.

Actual expenditures exceeded appropriations in the Local Transportation Improvement Program (LTIP) Fund at December 31, 2000 by \$6,795, and in the Ohio Public Works Commission (OPWC) Fund at December 31, 2000 by \$40,315. Actual expenditures exceeded appropriations in numerous funds at the fund-function-object level during 2001 and 2000.

Appropriations exceeded estimated resources in the following funds at the dates indicated:

Fund	Amount Estimated	Amount Appropriated	Appropriations in Excess of Estimated Resources
<b>December 31, 2001</b>			
Fire Equipment Fund	\$58,680	\$71,020	\$(12,340)
Police Fund	77,582	78,700	(1,118)
Permissive Auto Tax Fund	1,756	20,500	(18,744)
Ohio Public Works Commission	129	6,500	(6,371)
Sewer Fund	91,027	99,500	(8,473)
<b>December 31, 2000</b>			
Fire Equipment Fund	52,346	61,645	(9,299)
Police Fund	68,888	71,450	(2,562)
Permissive Auto Tax Fund	1,708	6,400	(4,692)
Ohio Public Works Commission	61,029	77,150	(16,121)
Water Fund	200,080	237,300	(37,220)

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

**6. PROPERTY TAX**

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

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

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

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

**7. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Water Tower Note	\$346,519	5.25%

The Water Tower Note was issued as a \$400,000 line of credit to construct a new water tower and remove the old water tower. As of December 31, 2001, \$385,000 had been drawn, the old water tower had been removed, and the new water tower and some water lines had been constructed.

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

	Water Tower Note
Year ending December 31:	
2002	\$28,836
2003	28,858
2004	28,858
2005	28,858
2006	28,858
2007 – 2016	406,417
Total	\$550,685

**8. RETIREMENT SYSTEMS**

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



**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

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

**9. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**10. CONTRACTUAL COMMITMENTS**

The Village had outstanding commitments at December 31, 2001 in the amount of \$26,814 for the Young-Townline waterline extension project to be paid from the Water Fund.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Village of Payne  
Paulding County  
131 South Main Street  
P.O. Box 58  
Payne, Ohio 45880-0058

To the Village Council:

We have audited the accompanying financial statements of the Village of Payne (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 12, 2002, in which we disclosed the Village reclassified its Street Lighting Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30263-001, 2001-30263-002, 2001-30263-003 and 2001-30263-004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 12, 2002.

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

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

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

**Jim Petro**  
Auditor of State

June 12, 2002

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

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

**FINDING NUMBER 2001-30263-001**

**Noncompliance Citation**

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

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Village Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

Twenty-five percent of the transactions tested did not receive prior certification nor were they certified using a then-and-now certification. Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of Village funds being over expended. To improve controls over disbursements we recommend all Village disbursements receive prior certification of the Clerk and that the Village Council periodically review the expenditures made to ensure they are certified by the Clerk and recorded against appropriations.

**FINDING NUMBER 2001-30263-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been lawfully appropriated.

Actual expenditures exceeded appropriations in the Local Transportation Improvement Program (LTIP) Fund, at December 31, 2000, by \$6,795; and the Ohio Public Works Commission (OPWC) fund, at December 31, 2001, by \$40,315. Actual expenditures exceeded appropriations throughout the audit period (prior to the amendments at year end) in numerous funds at the legal level of control (fund-function-object).

**FINDING NUMBER 2001-30263-002  
 (Continued)**

The Clerk/Treasurer should not issue purchase orders for expenditures that would exceed appropriations. The Clerk/Treasurer should inform the Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources. We reported this matter in the management letter during our audit of the 1999 and 1998 financial statements.

**FINDING NUMBER 2001-30263-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established.

The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligation of the fund or funds carrying the deficit balance. Deficit balances were noted in the Street Construction Maintenance and Repair, Police, Ohio Public Works Commission (OPWC), Water, and Refuse Funds at various times throughout 2000 and 2001, in amounts ranging from \$1,470 to \$66,338. In addition, the OPWC Fund had a deficit fund balance of \$5,385 at December 31, 2000.

Fund balances and activity should be monitored and transfers or advances made as need to ensure that sufficient funds exist for all planned expenditures.

**FINDING NUMBER 2001-30263-004**

**Noncompliance Citation**

Ohio Revised Code § 5705.39 states that the total appropriations from each fund should not exceed the total estimated revenue.

Appropriations exceeded total estimated revenue in the following funds as indicated:

<u>Fund</u>	<u>Amount Estimated</u>	<u>Amount Appropriated</u>	<u>Appropriations in Excess of Estimated Resources</u>
<b>December 31, 2001</b>			
Fire Equipment Fund	\$58,680	\$71,020	\$(12,340)
Police Fund	77,582	78,700	(1,118)
Permissive Auto Tax Fund	1,756	20,500	(18,744)
Ohio Public Works Commission	129	6,500	(6,371)
Sewer Fund	91,027	99,500	(8,473)
<b>December 31, 2000</b>			
Fire Equipment Fund	52,346	61,645	(9,299)
Police Fund	68,888	71,450	(2,562)
Permissive Auto Tax Fund	1,708	6,400	(4,692)
Ohio Public Works Commission	61,029	77,150	(16,121)
Water Fund	200,080	237,300	(37,220)

Appropriations should be reviewed prior to approval to ensure they do not exceed estimated resources.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-30263-001	Ohio Revised Code § 5705.41(D), failure to certify funds	No	Finding repeated in this report as finding 2001-30263-001
1999-30263-002	Ohio Revised Code § 5705.39, appropriations exceeding estimated resources	No	Finding repeated in this report as finding 2001-30263-004
1999-30263-003	Ohio Revised Code § 5705.10, deficit fund balances	No	Finding repeated in this report as finding 2001-30263-003







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
JULY 2, 2002**