



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, P.O. 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 the Village of Payne, Paulding County, Ohio (the Village), as of and for the year ended December 31, 2006, 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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 the Village of Payne, Paulding County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction Maintenance and Repair, Emergency Medical Services, Fire Equipment and Maintenance, and Police Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 5, 2008

**VILLAGE OF PAYNE
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

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, 2006, 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 2006 are as follows:

- Net assets of governmental activities decreased \$22,254, or 6 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.
- The Village's general receipts are primarily property and state income taxes. These receipts represent respectively 38 percent and 9 percent of the total cash received for governmental activities during the year. Property and state income tax receipts for 2006 increased 4 percent compared to 2005.
- In 2006, the Village's business type activities, its Enterprise Funds, had a Net Asset increase of \$8,073 as compared to the 2005 Net Asset increase of \$27,348.
- Kite Street was widened at a cost of \$20,260 to accommodate fire trucks and other emergency vehicles.
- The Village applied for a \$26,000 Ohio Nature Works Grant to improve the Park's facilities.

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 Village'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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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. 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 2006, 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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 Maintenance and Repair Fund, Emergency Medical Service Fund, Fire Equipment and Maintenance Fund and Police 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.

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 major 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 2006 compared to 2005 on a cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash and Cash Equivalents	\$278,269	\$350,523	\$73,567	\$64,188	\$351,836	\$414,711
Investments	50,000			1,306	50,000	1,306
Total Assets	\$328,269	\$350,523	\$73,567	\$65,494	\$401,836	\$416,017
Net Assets						
Restricted for:						
Other Purposes	\$183,595	\$170,085			\$183,595	\$170,085
Unrestricted	144,674	180,438	\$73,567	\$65,494	218,241	245,932
Total Net Assets	\$328,269	\$350,523	\$73,567	\$65,494	\$401,836	\$416,017

As mentioned previously, net assets of governmental activities decreased \$22,254 or 6.3 percent during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- Street maintenance costs increased \$19,000 in 2006 compared to 2005.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

- Capital Outlay expenditures increased \$50,987 in 2006. The Village purchased of a police car and an Emergency Medical Service Rescue van in 2006.

Table 2 reflects the changes in net assets on an cash basis in 2006. Since the Village did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Business-Type Activities 2006	Total
Cash Receipts:			
Charges for Services and Sales	\$86,001	\$337,089	\$423,090
Operating Grants and Contributions	132,582		132,582
Total Program Receipts	<u>218,583</u>	<u>337,089</u>	<u>555,672</u>
General Receipts:			
Property and Other Local Taxes	160,084		160,084
Other Taxes	135		135
Grants and Entitlements Not Restricted to Specific Programs	42,749		42,749
Cable Franchise Fees	7,400		7,400
Interest	1,325		1,325
Miscellaneous	2,471		2,471
Total General Receipts	<u>214,164</u>		<u>214,164</u>
Total Receipts	<u>432,747</u>	<u>337,089</u>	<u>769,836</u>
Disbursements:			
General Government	100,654		100,654
Security of Persons and Property:	172,162		172,162
Public Health Services	2,763		2,763
Leisure Time Activities	2,088		2,088
Transportation	82,183		82,183
Capital Outlay	95,151		95,151
Water		215,374	215,374
Sewer		49,179	49,179
Refuse		64,463	64,463
Total Disbursements	<u>455,001</u>	<u>329,016</u>	<u>784,017</u>
Change in Net Assets	(22,254)	8,073	(14,181)
Net Assets, January 1	<u>350,523</u>	<u>65,494</u>	<u>416,017</u>
Net Assets, December 31	<u>\$328,269</u>	<u>\$73,567</u>	<u>\$401,836</u>

**VILLAGE OF PAYNE
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Program receipts represent 72 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as fire protection contracts, EMS charges, water fees, sewer fees, refuse collection fees, motor vehicle license and gas tax money, building permits and inspection fees.

General receipts in the governmental activities represent 28 percent of the Village's total governmental receipts, and of this amount, 75 percent is from local property and income taxes. State and federal grants and entitlements; licenses, permits and fees; and investment income; and note proceeds make up 20 percent of the balance of the Village's governmental general receipts. Other receipts are very insignificant (5 percent) and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government 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 47 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; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; 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 38 percent, 22 percent, 21 percent and 18 percent of all governmental disbursements, respectively. The next two 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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

(Table 3)

	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$100,654	\$95,869
Security of Persons and Property	172,162	51,562
Public Health Services	2,763	2,763
Leisure Time Activities	2,088	1,032
Transportation	82,183	(9,959)
Capital Outlay	95,151	95,151
Total Expenses	\$455,001	\$236,418

The dependence upon property and income tax receipts is apparent as over 56 percent of governmental activities are supported through these general receipts.

Business-type Activities

The Water Operating Fund had a net loss of \$14,677 in 2006 due to increased supplies and materials costs. The Sewer Operating Fund net gain of \$20,012 was caused by lower supplies and materials costs and no capital outlay disbursements.

The Government's Funds

Total governmental funds had receipts and other financing sources of \$479,747 and disbursements and other financing uses of \$502,001. The greatest change within governmental funds occurred within the General Fund and the Emergency Medical Service Fund. The fund balance of the General Fund decreased \$35,764 as the result of transfer on monies to the Police Fund. The Emergency Medical Services Fund decreased \$34,149 due to the purchase of an Emergency Medical Services Rescue Van.

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 2006, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were greater than original budgeted receipts due to an unanticipated increase in miscellaneous revenues. Actual receipts were less than the final budget, due to the Village not receiving as much in Miscellaneous Revenues as they expected.

Final disbursements were budgeted at \$134,950 while actual disbursements were \$115,764. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$35,764 for 2006.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Debt Administration

At December 31, 2006, the Village's outstanding debt was \$143,178 promissory note. This note was used to finance improvements to the water distribution system, mainly replacement of the water tower. The note is being repaid from the Water Operating Fund. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all Villages 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, charges for services 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 Village'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 45880-0058.

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2006*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$278,269	\$73,567	\$351,836
Investments	50,000		50,000
<i>Total Assets</i>	\$328,269	\$73,567	\$401,836
 Net Assets			
Restricted for:			
Other Purposes	\$183,595		\$183,595
Unrestricted	144,674	\$73,567	218,241
<i>Total Net Assets</i>	\$328,269	\$73,567	\$401,836

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$172,162	\$74,038	\$46,562	(\$51,562)		(\$51,562)
Public Health Services	2,763			(2,763)		(2,763)
Leisure Time Activities	2,088	1,056		(1,032)		(1,032)
Transportation	82,183	6,122	86,020	9,959		9,959
General Government	100,654	4,785		(95,869)		(95,869)
Capital Outlay	95,151			(95,151)		(95,151)
<i>Total Governmental Activities</i>	455,001	86,001	132,582	(236,418)		(236,418)
Business Type Activities						
Water Operating	215,374	200,697			(\$14,677)	(14,677)
Sewer Operating	49,179	69,191			20,012	20,012
Refuse Collection	64,463	67,201			2,738	2,738
<i>Total Business Type Activities</i>	329,016	337,089			8,073	8,073
<i>Total Primary Government</i>	<u>\$784,017</u>	<u>\$423,090</u>	<u>\$132,582</u>	<u>(\$236,418)</u>	<u>\$8,073</u>	<u>(\$228,345)</u>
General Receipts						
Property Taxes				\$160,084		\$160,084
Other Taxes				135		135
Grants and Entitlements not Restricted to Specific Programs				42,749		42,749
Cable Franchise Fees				7,400		7,400
Earnings on Investments				1,325		1,325
Miscellaneous				2,471		2,471
<i>Total General Receipts</i>				214,164		214,164
Change in Net Assets				(22,254)	\$8,073	(14,181)
<i>Net Assets Beginning of Year</i>				350,523	65,494	416,017
<i>Net Assets End of Year</i>				<u>\$328,269</u>	<u>\$73,567</u>	<u>\$401,836</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Fund Net Assets - Cash Basis
Governmental Funds
For the Year Ended December 26, 2006*

	GENERAL FUND	STREET CONSTRUCTION MAINTENANCE AND REPORT FUND	EMERGENCY MEDICAL SERVICE FUND	FIRE EQUIPMENT AND MAINTENANCE FUND	POLICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets							
Equity in Pooled Cash and Cash Equivalents	\$94,674	\$14,699	\$33,632	\$71,517	\$8,304	\$55,443	\$278,269
Investments	50,000						50,000
<i>Total Assets</i>	<u>\$144,674</u>	<u>\$14,699</u>	<u>\$33,632</u>	<u>\$71,517</u>	<u>\$8,304</u>	<u>\$55,443</u>	<u>\$328,269</u>
Fund Balances							
Unreserved:							
Undesignated, Reported in:							
General Fund	\$144,674						\$144,674
Special Revenue Funds		\$14,699	\$33,632	\$71,517	\$8,304	\$55,443	183,595
<i>Total Fund Balances</i>	<u>\$144,674</u>	<u>\$14,699</u>	<u>\$33,632</u>	<u>\$71,517</u>	<u>\$8,304</u>	<u>\$55,443</u>	<u>\$328,269</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	GENERAL FUND	STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND	EMERGENCY MEDICAL SERVICE FUND	FIRE EQUIPMENT AND MAINTENANCE FUND	POLICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$68,035		\$5,135	\$38,086	\$48,962	\$6,122	\$166,340
Intergovernmental	42,749	\$51,650	3,464	16,192	7,033	54,243	175,331
Charges for Services			47,189	26,849			74,038
Fines, Licenses and Permits	5,105				185		5,290
Earnings on Investments	1,181	20				124	1,325
Miscellaneous	9,930		17		476		10,423
Total Receipts	127,000	51,670	55,805	81,127	56,656	60,489	432,747
Disbursements							
Current:							
Security of Persons and Property			41,187	53,884	77,091		172,162
Public Health Services	2,763						2,763
Leisure Time Activities	2,088						2,088
Transportation	5,119	42,758				34,306	82,183
General Government	100,654						100,654
Capital Outlay	5,140		48,767	7,982	26,607	6,655	95,151
Total Disbursements	115,764	42,758	89,954	61,866	103,698	40,961	455,001
Excess of Receipts Over (Under) Disbursements	11,236	8,912	(34,149)	19,261	(47,042)	19,528	(22,254)
Other Financing Sources (Uses)							
Transfers In					47,000		47,000
Transfers Out	(47,000)						(47,000)
Total Other Financing Sources (Uses)	(47,000)				47,000		
Net Change in Fund Balances	(35,764)	8,912	(34,149)	19,261	(42)	19,528	(22,254)
Fund Balances Beginning of Year	180,438	5,787	67,781	52,256	8,346	35,915	350,523
Fund Balances End of Year	<u>\$144,674</u>	<u>\$14,699</u>	<u>\$33,632</u>	<u>\$71,517</u>	<u>\$8,304</u>	<u>\$55,443</u>	<u>\$328,269</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$75,200	\$68,035	\$68,035	
Intergovernmental	51,700	42,749	42,749	
Fines, Licenses and Permits	8,700	5,105	5,105	
Earnings on Investments	8,000	1,181	1,181	
Miscellaneous	11,944	59,552	9,930	(\$49,622)
<i>Total Receipts</i>	<u>155,544</u>	<u>176,622</u>	<u>127,000</u>	<u>(49,622)</u>
Disbursements				
Current:				
Security of Persons and Property	500	500		\$500
Public Health Services	2,600	2,600	2,763	(163)
Leisure Time Activities	3,000	3,000	2,088	912
Transportation	2,700	2,700	5,119	(2,419)
General Government	105,150	115,150	100,654	14,496
Capital Outlay	11,000	11,000	5,140	5,860
<i>Total Disbursements</i>	<u>124,950</u>	<u>134,950</u>	<u>115,764</u>	<u>19,186</u>
<i>Excess of Receipts Over Disbursements</i>	<u>30,594</u>	<u>41,672</u>	<u>11,236</u>	<u>(30,436)</u>
Other Financing Uses				
Transfers Out	<u>(112,500)</u>	<u>(107,500)</u>	<u>(47,000)</u>	<u>60,500</u>
<i>Net Change in Fund Balance</i>	(81,906)	(65,828)	(35,764)	30,064
<i>Cash Balance Beginning of Year</i>	<u>180,438</u>	<u>180,438</u>	<u>180,438</u>	
<i>Cash Balance End of Year</i>	<u>\$98,532</u>	<u>\$114,610</u>	<u>\$144,674</u>	<u>\$30,064</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$54,000	\$51,650	\$51,650	
Earnings on Investments	500	20	20	
Miscellaneous	14,213			
<i>Total Receipts</i>	<u>68,713</u>	<u>51,670</u>	<u>51,670</u>	
Disbursements				
Current:				
Transportation	67,000	67,000	42,758	\$24,242
Capital Outlay	10,000	10,000		10,000
<i>Total Disbursements</i>	<u>77,000</u>	<u>77,000</u>	<u>42,758</u>	<u>34,242</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,287)</u>	<u>(25,330)</u>	<u>8,912</u>	<u>34,242</u>
Other Financing Sources				
Transfers In	2,500			
<i>Net Change in Fund Balance</i>	(5,787)	(25,330)	8,912	34,242
<i>Cash Balance Beginning of Year</i>	<u>\$5,787</u>	<u>5,787</u>	<u>5,787</u>	
<i>Cash Balance End of Year</i>		<u>(\$19,543)</u>	<u>\$14,699</u>	<u>\$34,242</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Emergency Medical Services
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$6,000	\$5,135	\$5,135	
Intergovernmental	4,000	3,464	3,464	
Charges for Services	16,200	52,010	47,189	(\$4,821)
Miscellaneous	19	17	17	
<i>Total Receipts</i>	<u>26,219</u>	<u>60,626</u>	<u>55,805</u>	<u>(4,821)</u>
Disbursements				
Current:				
Security of Persons and Property	53,000	53,000	41,187	11,813
Capital Outlay	42,000	42,000	48,767	(6,767)
<i>Total Disbursements</i>	<u>95,000</u>	<u>95,000</u>	<u>89,954</u>	<u>5,046</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(68,781)</u>	<u>(34,374)</u>	<u>(34,149)</u>	<u>225</u>
Other Financing Sources				
Transfers In	1,000			
<i>Net Change in Fund Balance</i>	(67,781)	(34,374)	(34,149)	225
<i>Cash Balance Beginning of Year</i>	<u>\$67,781</u>	<u>67,781</u>	<u>67,781</u>	
<i>Cash Balance End of Year</i>	<u><u>\$33,407</u></u>	<u><u>\$33,632</u></u>	<u><u>\$33,632</u></u>	<u><u>\$225</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$29,500	\$38,467	\$38,086	(\$381)
Intergovernmental	6,000	16,167	16,192	25
Charges for Services	4,494	26,849	26,849	
<i>Total Receipts</i>	<u>39,994</u>	<u>81,483</u>	<u>81,127</u>	<u>(356)</u>
Disbursements				
Current:				
Security of Persons and Property	78,250	78,250	53,884	24,366
Capital Outlay	15,000	15,000	7,982	7,018
<i>Total Disbursements</i>	<u>93,250</u>	<u>93,250</u>	<u>61,866</u>	<u>31,384</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(53,256)</u>	<u>(11,767)</u>	<u>19,261</u>	<u>31,028</u>
Other Financing Sources				
Transfers In	1,000			
<i>Net Change in Fund Balance</i>	(52,256)	(11,767)	19,261	31,028
<i>Cash Balance Beginning of Year</i>	<u>\$52,256</u>	<u>52,256</u>	<u>52,256</u>	
<i>Cash Balance End of Year</i>		<u>40,489</u>	<u>71,517</u>	<u>31,028</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$54,000	\$51,979	\$48,962	(\$3,017)
Intergovernmental	4,600	3,660	7,033	3,373
Fines, Licenses and Permits	200	185	185	
Miscellaneous	505	476	476	
<i>Total Receipts</i>	<u>59,305</u>	<u>56,300</u>	<u>56,656</u>	<u>356</u>
Disbursements				
Current:				
Security of Persons and Property	87,200	87,200	77,091	10,109
Capital Outlay	28,000	28,000	26,607	1,393
<i>Total Disbursements</i>	<u>115,200</u>	<u>115,200</u>	<u>103,698</u>	<u>11,502</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(55,895)</u>	<u>(58,900)</u>	<u>(47,042)</u>	<u>11,858</u>
Other Financing Sources				
Transfers In	47,550	47,550	47,000	(550)
<i>Net Change in Fund Balance</i>	(8,345)	(11,350)	(42)	11,308
<i>Cash Balance Beginning of Year</i>	<u>8,346</u>	<u>8,346</u>	<u>8,346</u>	
<i>Cash Balance End of Year</i>	<u>\$1</u>	<u>(\$3,004)</u>	<u>\$8,304</u>	<u>\$11,308</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2006*

	WATER OPERATING FUND	SEWER OPERATING FUND	REFUSE COLLECTION FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$18,259</u>	<u>\$33,864</u>	<u>\$14,696</u>	<u>\$6,748</u>	<u>\$73,567</u>
Net Assets					
Unrestricted	<u>\$18,259</u>	<u>\$33,864</u>	<u>\$14,696</u>	<u>\$6,748</u>	<u>\$73,567</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE
PAULDING COUNTY**

*Statement of Cash Receipts
Disbursement, and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	WATER OPERATING FUND	SEWER OPERATING FUND	REFUSE COLLECTION FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
Operating Receipts					
Charges for Services	\$200,697	\$69,191	\$67,201		\$337,089
Operating Disbursements					
Personal Services	41,549	10,935			52,484
Employee Fringe Benefits	19,768	1,574			21,342
Contractual Services	16,875	8,951	64,463		90,289
Supplies and Materials	98,375	27,719			126,094
<i>Total Operating Disbursements</i>	<u>176,567</u>	<u>49,179</u>	<u>64,463</u>		<u>290,209</u>
<i>Operating Income</i>	<u>24,130</u>	<u>20,012</u>	<u>2,738</u>		<u>46,880</u>
Non-Operating Disbursements					
Capital Outlay	(10,007)				(10,007)
Principal Payments	(21,386)				(21,386)
Interest and Fiscal Charges	(7,414)				(7,414)
<i>Total Non-Operating Disbursements</i>	<u>(38,807)</u>				<u>(38,807)</u>
<i>Change in Net Assets</i>	(14,677)	20,012	2,738		8,073
<i>Net Assets Beginning of Year</i>	<u>32,936</u>	<u>13,852</u>	<u>11,958</u>	<u>\$6,748</u>	<u>65,494</u>
<i>Net Assets End of Year</i>	<u><u>\$18,259</u></u>	<u><u>\$33,864</u></u>	<u><u>\$14,696</u></u>	<u><u>\$6,748</u></u>	<u><u>\$73,567</u></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, 2006**

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, emergency medical and police services.

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 8 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's management believes these financial statements present all activities for which it is financially accountable.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further 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 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 nonexchange 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 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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

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 aids 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.

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.

Proprietary Funds

The Village classifies Funds financed primarily from user charges for goods or services as Proprietary. Proprietary Funds are classified as Enterprise Funds. The following are the 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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

Sewer Fund- This fund accounts 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 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.

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 expenses and liabilities) 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 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. 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 certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations 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 the 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".

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

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 not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2006, the Village invested in a certificate of deposit and a money market fund. The certificate of deposit is reported at cost plus accumulated interest.

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 2006 was \$1,181 which includes \$607 assigned from other Village funds. Additional interest earnings credited was \$20 to the Street Maintenance Fund and \$124 to the State Highway Maintenance Fund.

F. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased. These items are not reflected 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 on 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

K. Long Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long term obligations. Proceeds of debt are reported when the cash is received and the 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 and fire and police protection.

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. There were no fund balance reserves at year end.

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 nonoperating 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 – CHANGE IN FINANCIAL STATEMENT PRESENTATION

In 2005, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2006, the Village has implemented the cash basis of accounting described in note 2. The Village now includes entity wide statements and the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – COMPLIANCE

Contrary to Ohio law, total appropriations exceed estimated resources in the Street Construction Maintenance and Repair Fund by \$19,543 and in the Police Fund by \$3,004 in 2006.

NOTE 5 – 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, Street Construction Maintenance and Repair, Emergency Medical Service, Fire Equipment and Maintenance and Police Funds, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no differences between the cash basis and budgetary basis since there were not outstanding encumbrances at year end.

NOTE 6 – 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;
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;

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS – (Continued)

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 "Cash" 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 it's 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 7 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2006, 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 annually or semiannually. If paid annually, payment was due February 08, 2006, if paid semiannually, the first payment was due February 08, 2006, with the remainder payable by July 20, 2006. Under certain circumstances, State statute permits alternate payment dates to be established.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – PROPERTY TAXES – (Continued)

Public utility property tax receipts received in 2006 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, 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 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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, 2006, was \$13.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property		
Residential	\$	9,021,280
Agricultural		100
Commercial/Industrial/Mineral		2,803,790
Tangible Personal Property		
Business		2,171,280
Public Utility		568,240
Total Assessed Value	\$	<u>14,564,690</u>

NOTE 8 – RISK POOL MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverage, 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 – RISK POOL MANAGEMENT – (Continued)

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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring 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:

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Member's Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

The complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, 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 Workers' 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 Workers' Compensation (OBWC) 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 workers' compensation costs to potentially achieve a lower workers' compensation rate for Participants, (2) foster safer working environments, and (3) foster cost-effective claims management skills in the area of Workers' Compensation.

NOTE 9 – 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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (Continued)

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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1 percent of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.93 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, 2006, 2005, and 2004, were \$18,387, \$17,113 and \$16,134, respectively. 100 percent has been contributed by the Village of Payne for 2006, 2005, and 2004.

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 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 to fund pension benefits while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2006, 2005, and 2004, were \$6,422, \$6,805, and \$6,929, respectively. The full amount has been contributed for 2006, 2005, and 2004.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the OPERS traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.50 and 6.0 percent annually for the next nine years and 4.0 percent annually beginning with the tenth year.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 362,130. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$6,040. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS – (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment benefits were \$2,550 for police. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

NOTE 11 – DEBT

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Business-type Activities</u>						
Water Tower Loan (Original Amount \$385,000)	4.75%	\$164,564		\$21,386	\$143,178	\$22,493

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

Year	Water Tower Note	
	Principal	Interest
2007	\$22,493	\$6,307
2008	23,488	5,313
2009	24,659	4,141
2010	25,874	2,926
2011	27,147	1,653
2012	19,517	367
Totals	\$143,178	\$20,707

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 11 – 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, 2006, were an overall debt margin of \$1,529,292 and an unvoted debt margin of \$801,058.

NOTE 12 – LEASES

The Village entered into a two (2) lease on April 7, 2005, with Homier and Sons, Inc. for a Ferris 3000 lawn mower. The total lease price was \$2,200 for the two (2) years and was paid when the lease agreement was signed.

NOTE 13 – 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 2006, \$47,000 was transferred from the General Fund to the Police Fund. \$26,000 of the \$47,000 was used to purchase a new police automobile. The remaining \$21,000 of the transfer was used for the operating expenses of the Police Department.



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, P.O. 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 the Village of Payne, Paulding County (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 5, 2008, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinion 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 the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002 and 2006-003.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiencies described above, are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated September 5, 2008.

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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance not required to be included in this report that we reported to the Village's management in a separate letter dated September 5, 2008.

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



Mary Taylor, CPA
Auditor of State

September 5, 2008

VILLAGE OF PAYNE
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code § 5705.36 (A) (2) states upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Revised Code § 5705.36 (A) (4) states upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Additionally, Ohio Revised Code § 5705.39, states in part total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures as certified by the budget commission or in case of appeal, by the board of tax appeals.

The following funds had appropriations in excess of the total estimated resources available. These funds did not have sufficient actual resources to increase the estimated revenues. The Treasurer should have requested an amended certificate of estimated resources from the commission to increase the estimated resources and decreased the current level of appropriations, to the level of available resources.

	<u>Actual Resources</u>	<u>Estimated Resources</u>	<u>Total Appropriations</u>
Street Construction Maintenance and Repair Fund	\$57,457	\$57,457	\$77,000
Police Fund	112,002	112,196	115,200

We recommend the Clerk compare appropriations with the actual revenues and with the estimated revenues during the year and make changes when necessary.

FINDING NUMBER 2006-002

Material Weakness - Financial Reporting

As a result of the audit procedures performed, the following error was noted in the financial statements that required an audit adjustment.

The Village was awarded a grant from the federal emergency management agency in 2005. The final payment of \$19,874 was received in 2006. The Village recorded this amount as revenue and an expenditure of \$6,655 in its financial records. An expenditure of \$13,219 was previously recorded in 2005 which resulted in a negative fund balance at December 31, 2005. This activity was not included its financial statements.

**FINDING NUMBER 2006-002
 (Continued)**

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 Council, to identify and correct errors and omissions. The Clerk-Treasurer should also review the Village Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

FINDING NUMBER 2006-003

Material Weakness – Budgetary Comparison Schedules

Government Accounting Standards Board (GASB) Statement 34, Section 130 requires budgetary comparisons should 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. The following differences were noted in the Village's budgetary comparison:

Funds	Amounts Recorded	Audited Amounts	Difference
General Fund			
Estimated Revenues - Original	\$ 340,983	\$ 155,544	\$ 185,439
Estimated Revenues - Final	127,000	176,622	(49,622)
Appropriations - Original	247,450	237,450	10,000
Street Construction Maintenance and Repair Fund			
Estimated Revenues - Original	74,500	68,713	5,787
Appropriations - Final	87,000	77,000	10,000
Emergency Medical Service Fund			
Estimated Revenues - Original	94,000	26,219	67,781
Fire Equipment and Maintenance Fund			
Estimated Revenues - Original	93,250	40,994	52,256
Police Fund			
Estimated Revenues - Original	115,200	106,855	8,345

FINDING NUMBER 2006-003
(Continued)

The *original budget* is to the first complete appropriated budget (revenues and expenditures). The original budget should also include estimated revenues from the official amended certificate of estimated resources received from the county auditor and actual appropriation amounts automatically carried over from prior years by law. 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.

Adjustments were recorded to the Village's budget basis financial statements to correct these differences.

Officials' 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, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for Recovery repaid under audit against Mayor Spiece in amount of \$284 for not remitting the proper Mayor court fine amount to the State of Ohio collected under Ohio Revised Code §2949.091(A)(1)	Yes	
2005-002	Ohio Revised Code §5705.36(A)(2). Appropriations exceeding actual resources and estimated resources.	No	Reissued as Finding 2006-001 in the report.
2005-003	Ohio Revised Code §5705.41(D) (1). Non-certification of funds by fiscal officer	No	Partially corrected. Reissued as a management letter comment.



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
OCTOBER 7, 2008**