



**VILLAGE OF PAYNE
PAULDING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005



**Auditor of State
Betty Montgomery**

VILLAGE OF PAYNE
PAULDING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	23

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**Auditor of State
Betty Montgomery**

Village of Payne
Paulding County
131 North Main Street
Payne, Ohio 45880

To the Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 14, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Payne
Paulding County
131 North Main Street
Payne, Ohio 45880

To the Mayor and Village Council:

We have audited the accompanying financial statements of Village of Payne, Paulding County, (the Village) as of and for the years ended December 31, 2004 and 2003. 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 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, 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 Village of Payne, Paulding County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2006, 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.



Betty Montgomery
Auditor of State

June 14, 2006

**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, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$64,836	\$86,446		\$151,282
Intergovernmental Receipts	46,876	102,093		148,969
Charges for Services		64,077		64,077
Fines, Licenses, and Permits	5,934	380		6,314
Earnings on Investments	938	70		1,008
Miscellaneous	10,865	430		11,295
	<u>129,449</u>	<u>253,496</u>		<u>382,945</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property		180,941		180,941
Public Health Services	2,132			2,132
Leisure Time Activities	2,616			2,616
Transportation	264	62,712		62,976
General Government	101,785			101,785
Capital Outlay	2,731	21,559	\$13,219	37,509
	<u>109,528</u>	<u>265,212</u>	<u>13,219</u>	<u>387,959</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>19,921</u>	<u>(11,716)</u>	<u>(13,219)</u>	<u>(5,014)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		26,000		26,000
Transfers-Out	(26,000)			(26,000)
	<u>(26,000)</u>	<u>26,000</u>		
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,079)	14,284	(13,219)	(5,014)
Fund Cash Balances, January 1	186,517	169,020		355,537
Fund Cash Balances, December 31	<u><u>\$180,438</u></u>	<u><u>\$183,304</u></u>	<u><u>(\$13,219)</u></u>	<u><u>\$350,523</u></u>
Reserves for Encumbrances, December 31	<u><u>\$2,262</u></u>	<u><u>\$48,014</u></u>		<u><u>\$50,276</u></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, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$301,986
Operating Cash Disbursements:	
Personal Services	71,586
Contractual Services	88,154
Supplies and Materials	69,996
Capital Outlay	16,102
Total Operating Cash Disbursements	245,838
Operating Income	56,148
Non-Operating Cash Disbursements:	
Debt Service	28,800
Excess of Receipts Over Disbursements	27,348
Fund Cash Balances, January 1	38,146
Fund Cash Balances, December 31	\$65,494
Reserve for Encumbrances, December 31	\$4,622

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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$62,626	\$76,841		\$139,467
Intergovernmental Receipts	63,598	105,019	\$143,947	312,564
Charges for Services		57,658		57,658
Fines, Licenses, and Permits	2,955	335		3,290
Earnings on Investments	1,122	109		1,231
Miscellaneous	5,512	3,018		8,530
	<u>135,813</u>	<u>242,980</u>	<u>143,947</u>	<u>522,740</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property		185,949		185,949
Public Health Services	1,969			1,969
Leisure Time Activities	9,321			9,321
Transportation	225	72,621		72,846
General Government	111,913			111,913
Capital Outlay	3,396	33,389	143,947	180,732
	<u>126,824</u>	<u>291,959</u>	<u>\$143,947</u>	<u>562,730</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>8,989</u>	<u>(48,979)</u>		<u>(39,990)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		61,800		61,800
Transfers-Out	(108,600)			(108,600)
	<u>(108,600)</u>	<u>61,800</u>		<u>(46,800)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(99,611)	12,821		(86,790)
Fund Cash Balances, January 1	286,128	156,199		442,327
Fund Cash Balances, December 31	<u><u>\$186,517</u></u>	<u><u>\$169,020</u></u>		<u><u>\$355,537</u></u>
Reserves for Encumbrances, December 31	<u><u>\$2,859</u></u>	<u><u>\$2,855</u></u>		<u><u>\$5,714</u></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, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$271,155
Operating Cash Disbursements:	
Personal Services	70,654
Contractual Services	86,875
Supplies and Materials	108,926
Capital Outlay	55,612
Total Operating Cash Disbursements	322,067
Operating Loss	(50,912)
Non-Operating Cash Disbursements:	
Debt Service	28,800
Excess of Disbursements Over Receipts Before Interfund Transfers	(79,712)
Transfers-In	46,800
Net Disbursements Over Receipts	(32,912)
Fund Cash Balances, January 1	71,058
Fund Cash Balances, December 31	\$38,146
Reserve for Encumbrances, December 31	\$12,918

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, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Payne, Paulding County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, refuse collection services, police, fire protection, 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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.

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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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 restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Ohio Public Works Commission Fund - The Village received a grant from the State of Ohio to replace the Fox avenue water line.

Federal Emergency Management Agency (FEMA) Grant Fund – The Village received a grant from the Federal government to purchase a natural gas emergency generator for the Emergency Medical Service and Fire Station.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Refuse Fund - This fund receives charges for services from residents to cover refuse service costs.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. 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 level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$415,867	\$393,533
Cash on hand	150	150
Total deposits and cash on hand	\$416,017	\$393,683

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,550	\$129,449	(\$71,101)
Special Revenue	358,735	279,496	(79,239)
Capital Projects	23,500		(23,500)
Enterprise	332,070	301,986	(30,084)
Total	\$914,855	\$710,931	(\$203,924)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	282,529	\$137,790	\$144,739
Special Revenue	455,955	313,226	142,729
Capital Projects	23,500	13,219	10,281
Enterprise	369,618	279,260	90,358
Total	\$1,131,602	\$743,495	\$388,107

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,812	\$135,813	\$1
Special Revenue	304,780	304,780	
Capital Projects	143,947	143,947	
Enterprise	317,955	317,955	
Total	\$902,494	\$902,495	\$1

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$299,187	\$238,283	\$60,904
Special Revenue	452,660	294,814	157,846
Capital Projects	146,325	143,947	2,378
Enterprise	402,281	363,785	38,496
Total	\$1,300,453	\$1,040,829	\$259,624

Contrary to Ohio law, appropriations exceeded actual resources in the Street Construction Maintenance and Repair Fund, Fire Equipment and Maintenance Levy Fund, Police Levy Fund, Permissive Auto Fund, and Water Fund at December 31, 2004, and the Street Construction Maintenance and Repair Fund, Fire Equipment and Maintenance Levy Fund, Police Levy Fund, Federal Emergency Management Agency Grant Fund and Water Fund at December 31, 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2005, was as follows:

	Principal	Interest Rate
Water Tower Loan	164,564	4.75%

In 1999 the Village entered into a promissory note with a local bank. This note 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 more than 11.25 % or less than 4.75 % during the term of note. The rate may change annually but not more than 2 % per year. The current interest rate is 4.75 %.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT – (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	Water Tower Note
2006	\$28,800
2007	28,800
2008	28,800
2009	28,800
2010	28,800
2010-2012	48,400
Total	\$192,400

6. RETIREMENT SYSTEMS

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans’ retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2005.

7. 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 500 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 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The 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
DECEMBER 31, 2005 AND 2004
(Continued)

7. RISK POOL MEMBERSHIP – (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2004 and 2003 (the latest information available):

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. CONTRACTUAL COMMITMENTS

The Village had an outstanding contractual commitment at December 31, 2005, in the amount of \$42,375 for the purchase of an emergency medical service response vehicle.

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**Auditor of State
Betty Montgomery**

**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
Payne, Ohio 45880

To the Mayor and Village Council:

We have audited the financial statements of the Village of Payne, Paulding County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 14, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated June 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-003. In a separate letter to the Village's management dated June 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance committee, management and Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 14, 2006

**VILLAGE OF PAYNE
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 2949.091(A)(1) requires a court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, to impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund.

Prior to September 26, 2003, the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95. The Mayor's Court was not aware the court costs had increased, so it did not raise the court fee at any time during the audit period.

The Mayor's Court had seventy-one cases in 2005 and 2004 where an additional four dollars a case should have been assessed and collected. Based on the change House Bill 95 made to Ohio Rev. Code § 2949.091(A)(1), the Mayor's Court should have collected an additional two hundred eighty-four dollars and remitted it to the Treasurer of the State of Ohio.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies due but not collected is hereby issued against Nancy Spiece, Mayor, and the Ohio Government Risk Management, her bonding company, jointly and severally, in the amount of \$284 and in favor of the State of Ohio General Revenue fund.

On June 13, 2006, a check was written by the Village for \$324 (inclusive of the above \$284) to the Treasurer of the State of Ohio to remit the increase in costs for cases from January 1, 2003, through May 16, 2006.

Officials' Response

The Officials' did not respond to this finding.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Revised Code § 5705.36 (A) (2) states that upon a determination by the fiscal officer of a subdivision that the 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 that upon a determination by the fiscal officer of a subdivision that the 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 that the 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 actual amounts available for appropriations and/or the amounts estimated in the official certificate less than the current level of appropriations.

	<u>Actual Resources</u>	<u>Estimated Resources</u>	<u>Total Appropriations</u>
<u>2004</u>			
Street Construction Maintenance and Repair Fund	80,198	80,198	87,500
Fire Equipment and Maintenance Levy Fund	110,933	110,933	119,500
Police Levy Fund	94,673	94,673	112,200
Permissive Auto Fund	42,744	42,744	65,100
Water Fund	164,494	211,294	237,000
<u>2005</u>			
Street Construction Maintenance and Repair Fund	73,821	69,595	74,000
Fire Equipment and Maintenance Levy Fund	117,056	151,925	151,900
Police Levy Fund	90,320	126,473	114,200
Federal Emergency Management Agency Grant Fund		23,500	23,500
Water Fund	178,145	210,296	215,000

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 decrease the current level of appropriations, to the level of available resources.

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

Officials' Response

Amendments had been made after the end of the fiscal years to correct these variances. Officials were not aware that amendments need to be made prior to the end of the fiscal year.

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-four percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Of the purchase orders tested, six purchase orders were not signed prior to the transactions occurring. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response

A "Then and Now" stamp has been purchased and will be used as needed.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003 – 001	ORC § 5705.36(A)(5) Appropriations exceeded amounts available for expenditures (estimated resources)	No	Not Corrected – Reissued as Finding 2005 - 002.



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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 11, 2006**