



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF PAYNE  
PAULDING COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Payne, Paulding County, Ohio (the Village), as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Payne, Paulding County, Ohio, as of December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction Maintenance and Repair, Emergency Medical Service,

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

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

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

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

**Mary Taylor, CPA**  
Auditor of State

April 15, 2010

Village of Payne  
Paulding County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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This discussion and analysis of the Village of Payne's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2009, 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 2009 are as follows:

- Net assets of governmental activities increased \$30,040, or 8 percent, a change from the prior year mainly due to a transfer of \$23,200 from the Water Operating fund to Ohio Public Works Commission Waterline fund.
- In 2009, The Village's business type activities, its Enterprise Funds, had a net asset increase of \$27,887 as compared to the 2008 net asset increase of \$3,164. Sewer rate increases were the primary reason for this change.
- The Village's water line replacement project on South Main Street, between Townline Street and West Street, was 99% complete in 2009. An OPWC Issue 2 Grant paid \$92,606 of the Project, the Village's cost for the Project was \$23,151.
- The Village, Benton and Harrison Townships entered into an agreement with Central States Fire Apparatus, LLC to purchase a 2010 International fire truck. The Village's share of the fire truck's cost is \$79,690. The fire truck will be delivered to the Village in early 2010.
- Annexed into the Village during 2009 was 1.109 acres owned by Andrew and Racheal Head. The property is listed as 403 West Street with a zoning classification of R-2.
- The Village was awarded in 2009 a \$9,985 FY 2010 Community Development Block Grant for constructing handicapped accessible sidewalks on the corner of Laura and Bailey Streets.
- On July 22, 2009, the construction bids for the Village's Combined Sewer Overflow Interceptor/Retention Pond Project were opened. The successful bidder for Contract A was Underground Utilities, Inc. at a cost of \$9,876. The successful bidder for Contract B was VTF Excavating, LLC at a cost of \$673,000. The Village was awarded a zero interest, 20 year, \$1,218,945 loan from the Water Pollution Control Loan Fund (WPCLF) to pay for the Project. In September, 2009, the Village was awarded a \$906,675 American Recovery and Reinvestment Act (ARRA) grant to be used against the \$1,218,945 principal amount of the WPCLF loan. The Village will need to pay off the remaining \$312,270 of the WPCLF loan over 20 years.

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

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

### **Report Components**

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

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

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

**Basis of Accounting**

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. 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 2009, 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 property and other 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.



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**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, Police Fund, Combined Sewer Overflow Fund, and Ohio Public Works Commission Waterline Projects 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 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 2009 compared to 2008 on a cash basis.

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Cash and Cash Equivalents	\$340,658	\$310,618	\$102,193	\$74,306	\$442,851	\$384,924
Investments	50,000	50,000	1,307	1,307	51,307	51,307
<b>Total Assets</b>	\$390,658	\$360,618	\$103,500	\$75,613	\$494,158	\$436,231
<b>Net Assets</b>						
Restricted for:						
Capital Outlay	\$2,049				\$2,049	
Other Purposes	262,261	\$246,351			262,261	\$246,351
Unrestricted	126,348	114,267	\$103,500	\$75,613	229,848	189,880
<b>Total Net Assets</b>	\$390,658	\$360,618	\$103,500	\$75,613	\$494,158	\$436,231

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As mentioned previously, net assets of governmental activities increased \$30,040 or 8 percent during 2009. The primary reasons contributing to the increases in cash balances are as follows:

- General Fund fund balance increased \$12,081 due to decreased general government disbursements.
- Street Construction, Maintenance and Repair Fund fund balance increased \$6,395 due to decreased salary and benefit costs.
- Emergency Medical Services Fund fund balance increased \$4,569 due to less operating and maintenance cost for the Village EMS units.
- Other Governmental Fund's fund balance increased \$5,004 due to the Village received permissive license tax revenues from the County and a refund from Ohio Department of Transportation for overpayment of a joint road project performed on a state highway within the Village.

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Table 2 reflects the changes in net assets on the cash basis in 2009 and 2008 for governmental activities, business-type activities and total primary government.

(Table 2)

**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Receipts						
Program Receipts:						
Charges for Services and Sales	\$100,551	\$124,472	\$345,979	\$314,196	\$446,530	\$438,668
Operating Grants and Contributions	95,030	98,734			95,030	98,734
Capital Grants and Contributions	101,062	21,104			101,062	21,104
Total Program Receipts	<u>296,643</u>	<u>244,310</u>	<u>345,979</u>	<u>314,196</u>	<u>642,622</u>	<u>558,506</u>
General Receipts:						
Property and Other Local Taxes	135,989	134,561			135,989	134,561
Other Taxes	82	102			82	102
Grants and Entitlements Not Restricted to Specific Programs	69,571	58,148			69,571	58,148
Loan Proceeds	154,200				154,200	
Sale of Notes		51,650				51,650
Sale of Fixed Assets	999				999	
Cable Franchise Fees	9,330	10,837			9,330	10,837
Earnings on Investments	1,688	3,081			1,688	3,081
Miscellaneous	2,558	7,601	12,409	1,429	14,967	9,030
Total General Receipts	<u>374,417</u>	<u>265,980</u>	<u>12,409</u>	<u>1,429</u>	<u>386,826</u>	<u>267,409</u>
Total Receipts	<u>671,060</u>	<u>510,290</u>	<u>358,388</u>	<u>315,625</u>	<u>1,029,448</u>	<u>825,915</u>
Disbursements:						
Security of Persons and Property	202,210	183,987			202,210	183,987
Public Health Services	1,950	1,950			1,950	1,950
Leisure Time Activities	5,966	6,344			5,966	6,344
Transportation	52,893	65,382			52,893	65,382
General Government	99,519	109,839			99,519	109,839
Capital Outlay	198,757	68,733			198,757	68,733
Debt Service:						
Principal Payments	102,925				102,925	
Water			161,461	187,714	161,461	187,714
Sewer			78,337	65,319	78,337	65,319
Refuse Collection			67,503	59,428	67,503	59,428
Total Disbursements	<u>664,220</u>	<u>436,235</u>	<u>307,301</u>	<u>312,461</u>	<u>971,521</u>	<u>748,696</u>
Total Receipts Over Disbursements	6,840	74,055	51,087	3,164	57,927	77,219
Transfers	<u>23,200</u>		<u>(23,200)</u>			
Increase in Net Assets	30,040	74,055	27,887	3,164	57,927	77,219
Net Assets January 1	<u>360,618</u>	<u>286,563</u>	<u>75,613</u>	<u>72,449</u>	<u>436,231</u>	<u>359,012</u>
Net Assets December 31	<u>\$390,658</u>	<u>\$360,618</u>	<u>\$103,500</u>	<u>\$75,613</u>	<u>\$494,158</u>	<u>\$436,231</u>

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Program receipts represent 44 percent of total Governmental Activities receipts and are primarily comprised of restricted intergovernmental receipts such as fire protection contracts, EMS run charges, motor vehicle license and gas tax money, building permits and inspection fees.

General receipts in the governmental activities represent 56 percent of the Village's total governmental receipts, and of this amount, 41 percent is from proceeds of loan for the new sewer facility, 36 percent is from local property taxes. State and federal grants and entitlements, cable franchise fees and investment income make up 21 percent of the balance of the Village's general receipts. Other receipts are usually insignificant (2 percent) and somewhat unpredictable revenue sources.

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

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

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, general government, transportation and leisure time activities which account for 30 percent, 15 percent, 8 percent and 1 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Security of Persons and Property	\$202,210	\$76,133	183,987	28,283
Public Health Services	1,950	1,950	1,950	1,950
Leisure Time Activities	5,966	4,625	6,344	(17,225)
Community Environment		(550)		(425)
Transportation	52,893	(10,225)	65,382	5,925
General Government	99,519	95,024	109,839	104,684
Capital Outlay	198,757	97,695	68,733	68,733
Debt Service				
Principal	102,925	102,925		
<b>Total Expenses</b>	<u>\$664,220</u>	<u>\$367,577</u>	<u>\$436,235</u>	<u>\$191,925</u>

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The dependence upon property and income tax receipts is apparent as 55 percent of governmental activities are supported through these general receipts.

### **Business-type Activities**

The Water Operating Fund had a net gain of \$2,770 due to lower operating costs. The Sewer Operating Fund net gain of \$26,174 was from a 30% increase in sewer fees.

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

Total governmental funds had receipts and other financing sources of \$714,260 and disbursements and other financing uses of \$684,220. The fund balance of the General Fund increased \$12,081 due to a decrease in the operating cost relating to the Village departments and the cost for building maintenance and utilities. The Permissive Motor Vehicle License Fund balance increased \$3,571 due to an increase in motor vehicle license fees received from the County. The Street Construction, Maintenance and Repair Fund balance increased \$6,395 due to reduced expenses in maintaining village streets. The Emergency Medical Service Fund balance increased \$4,569 because of decreased expenses compared to 2008.

### **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 2009 the Village did not amend their General Fund original budgeted receipts and other financing sources. The General Fund final budgeted receipts and other financing sources were \$74,814 over actual amounts due to an over estimate of interfund transfers.

Disbursements and other financing uses (original and final) were budgeted at \$241,527 while actual amounts were \$130,881. 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 increase in fund balance of \$8,735 for 2009.

### **Debt Administration**

At December 31, 2009, the Village's outstanding debt included \$72,442 promissory note for the new water tower and water facility improvements being repaid from the Water Operating Fund; and the \$16,464 Safe Water Fund Loan to acquire land for a sewer retention pond being repaid from the Sewer Operating Fund. The Village also obtained a loan from the Water Pollution Control Loan Fund to finance part of the Village new sewer facility. The total approved loan amount is \$312,270. As of December 31, 2009 the village has received \$102,925 of the loan amount. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

### **Current Issues**

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

Village of Payne  
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Management's Discussion and Analysis  
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Unaudited

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**Contacting the Government's Financial Management**

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

**PAYNE VILLGE, PAULDING COUNTY**

*Statement of Net Assets - Cash Basis*

*December 31, 2009*

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	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$340,658	\$102,193	\$442,851
Investments	50,000	1,307	51,307
<i>Total Assets</i>	<u>\$390,658</u>	<u>\$103,500</u>	<u>\$494,158</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$2,049		\$2,049
Other Purposes	262,261		262,261
Unrestricted	126,348	\$103,500	229,848
<i>Total Net Assets</i>	<u>\$390,658</u>	<u>\$103,500</u>	<u>\$494,158</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2009*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Security of Persons and Property	\$202,210	\$88,339	\$37,738	
Public Health Services	1,950			
Leisure Time Activities	5,966	1,341		
Community Environment		550		
Transportation	52,893	5,826	57,292	
General Government	99,519	4,495		
Capital Outlay	198,757			101,062
Debt Service:				
Principal	102,925			
<i>Total Governmental Activities</i>	664,220	100,551	95,030	101,062
<b>Business Type Activities</b>				
Water Operating	161,461	186,713		
Sewer Operating	78,337	92,820		
Refuse Collection	67,503	66,446		
<i>Total Business Type Activities</i>	307,301	345,979		
<i>Total Primary Government</i>	\$971,521	\$446,530	\$95,030	\$101,062

**General Receipts**

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

*Total General Receipts*

Transfers

Total General Receipts and Transfers

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*



Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$76,133)		(\$76,133)
(1,950)		(1,950)
(4,625)		(4,625)
550		550
10,225		10,225
(95,024)		(95,024)
(97,695)		(97,695)
<u>(102,925)</u>		<u>(102,925)</u>
(367,577)		(367,577)
	\$25,252	25,252
	14,483	14,483
	(1,057)	(1,057)
	<u>38,678</u>	<u>38,678</u>
<u>(\$367,577)</u>	<u>\$38,678</u>	<u>(\$328,899)</u>
\$135,989		\$135,989
82		82
69,571		69,571
154,200		154,200
999		999
9,330		9,330
1,688		1,688
2,558	\$12,409	14,967
<u>374,417</u>	<u>12,409</u>	<u>386,826</u>
23,200	(23,200)	
<u>397,617</u>	<u>(10,791)</u>	<u>386,826</u>
30,040	27,887	57,927
<u>360,618</u>	<u>75,613</u>	<u>436,231</u>
<u>\$390,658</u>	<u>\$103,500</u>	<u>\$494,158</u>

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statements of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2009*

	GENERAL FUND	STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND	EMERGENCY MEDICAL SERVICE FUND	FIRE EQUIPMENT AND MAINTENANCE FUND
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$76,348	\$14,000	\$79,110	\$112,003
Investments	50,000			
<i>Total Assets</i>	<u>\$126,348</u>	<u>\$14,000</u>	<u>\$79,110</u>	<u>\$112,003</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$3,346	\$728	\$799	\$803
Unreserved:				
Undesignated, Reported in:				
General Fund	123,002			
Special Revenue Funds		13,272	78,311	111,200
Capital Projects Funds				
<i>Total Fund Balances</i>	<u>\$126,348</u>	<u>\$14,000</u>	<u>\$79,110</u>	<u>\$112,003</u>

See accompanying notes to the basic financial statements

POLICE FUND	OHIO PUBLIC WORKS COMMISSION WATERLINE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$8,803	\$2,049	\$48,345	\$340,658
<u>\$8,803</u>	<u>\$2,049</u>	<u>\$48,345</u>	<u>\$390,658</u>
\$947			\$6,623
7,856	\$2,049	\$48,345	123,002
<u>\$8,803</u>	<u>\$2,049</u>	<u>\$48,345</u>	<u>\$390,658</u>

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year December 31, 2009*

	GENERAL FUND	STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND	EMERGENCY MEDICAL SERVICE FUND
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Receipts</b>			
Property and Other Local Taxes	\$52,797		\$5,958
Intergovernmental	69,571	\$47,849	6,949
Charges for Services	1,341		61,687
Fines, Licenses and Permits	14,070		
Earnings on Investments	1,605	11	
Miscellaneous	232	705	86
	<u>          </u>	<u>          </u>	<u>          </u>
Total Receipts	<u>139,616</u>	<u>48,565</u>	<u>74,680</u>
<b>Disbursements</b>			
Current:			
Security of Persons and Property			62,352
Public Health Services	1,950		
Leisure Time Activities	5,966		
Transportation		42,556	
General Government	99,519		
Capital Outlay	100	613	7,759
Debt Service:			
Principal Retirement			
	<u>          </u>	<u>          </u>	<u>          </u>
Total Disbursements	<u>107,535</u>	<u>43,169</u>	<u>70,111</u>
Excess of Receipts Over (Under) Disbursements	<u>32,081</u>	<u>5,396</u>	<u>4,569</u>
Other Financing Sources (Uses)			
Loan Proceeds			
Sale of Fixed Asset		999	
Transfers In			
Transfers Out	(20,000)		
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>999</u>	<u>          </u>
Net Change in Fund Balances	12,081	6,395	4,569
Fund Balances Beginning of Year	<u>114,267</u>	<u>7,605</u>	<u>74,541</u>
Fund Balances End of Year	<u>\$126,348</u>	<u>\$14,000</u>	<u>\$79,110</u>

See accompanying notes to the basic financial statements

FIRE EQUIPMENT AND MAINTENANCE FUND	POLICE FUND	COMBINED SEWER OVERFLOW FUND	OHIO PUBLIC WORKS COMMISSION WATERLINE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$29,214	\$48,102			\$5,826	\$141,897
10,914	19,875	\$8,456	\$92,606	9,443	265,663
26,652	305				89,680
				72	14,375
173	1,362				1,688
<u>66,953</u>	<u>69,644</u>	<u>8,456</u>	<u>92,606</u>	<u>15,341</u>	<u>515,861</u>
53,304	86,554				202,210
					1,950
					5,966
				10,337	52,893
15,312	1,485	59,731	113,757		99,519
					198,757
		<u>102,925</u>			<u>102,925</u>
<u>68,616</u>	<u>88,039</u>	<u>162,656</u>	<u>113,757</u>	<u>10,337</u>	<u>664,220</u>
<u>(1,663)</u>	<u>(18,395)</u>	<u>(154,200)</u>	<u>(21,151)</u>	<u>5,004</u>	<u>(148,359)</u>
		154,200			154,200
	20,000		23,200		999
					43,200
					<u>(20,000)</u>
	<u>20,000</u>	<u>\$154,200</u>	<u>23,200</u>		<u>178,399</u>
(1,663)	1,605		2,049	5,004	30,040
<u>113,666</u>	<u>7,198</u>			<u>43,341</u>	<u>360,618</u>
<u>\$112,003</u>	<u>\$8,803</u>		<u>\$2,049</u>	<u>\$48,345</u>	<u>390,658</u>

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$70,261	\$70,261	\$52,797	(\$17,464)
Intergovernmental	50,400	50,400	69,571	19,171
Charges for Services	3,000	3,000	1,341	(1,659)
Fines, Licenses and Permits	20,600	20,600	14,070	(6,530)
Earnings on Investments	3,500	3,500	1,605	(1,895)
Miscellaneous	6,669	6,669	232	(6,437)
<i>Total receipts</i>	<u>154,430</u>	<u>154,430</u>	<u>139,616</u>	<u>(14,814)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	500	500		500
Public Health Services	3,200	3,200	1,950	1,250
Leisure Time Activities	5,000	6,000	5,966	34
Transportation	4,700	4,700		4,700
General Government	132,127	134,627	102,865	31,762
Capital Outlay	13,000	12,000	100	11,900
<i>Total Disbursements</i>	<u>158,527</u>	<u>161,027</u>	<u>110,881</u>	<u>50,146</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,097)</u>	<u>(6,597)</u>	<u>28,735</u>	<u>35,332</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	60,000	60,000		(60,000)
Transfers Out	(83,000)	(80,000)	(20,000)	60,000
Other Financing Uses		(500)		500
<i>Total Other Financing Sources (Uses)</i>	<u>(23,000)</u>	<u>(20,500)</u>	<u>(20,000)</u>	<u>500</u>
<i>Net Change in Fund Balance</i>	(27,097)	(27,097)	8,735	35,832
<i>Unencumbered Cash Balance Beginning of Year</i>	110,939	110,939	110,939	
Prior Year Encumbrances Appropriated	3,328	3,328	3,328	
<i>Unencumbered Cash Balance End of Year</i>	<u>\$87,170</u>	<u>\$87,170</u>	<u>\$123,002</u>	<u>\$35,832</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Street Construction Maintenance and Repair Fund  
 For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$44,469	\$44,469	\$47,849	\$3,380
Earnings on Investments	50	50	11	(39)
Miscellaneous			705	705
<i>Total receipts</i>	44,519	44,519	48,565	4,046
<b>Disbursements</b>				
Current:				
Transportation	52,124	51,124	43,284	7,840
Capital Outlay		1,000	613	387
<i>Total Disbursements</i>	52,124	52,124	43,897	8,227
<i>Excess of Receipts Over (Under) Disbursements</i>	(7,605)	(7,605)	4,668	12,273
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets			999	999
<i>Net Change in Fund Balance</i>	(7,605)	(7,605)	5,667	13,272
<i>Unencumbered Cash Balance Beginning of Year</i>	6,531	6,531	6,531	
Prior Year Encumbrances Appropriated	1,074	1,074	1,074	
<i>Unencumbered Cash Balance End of Year</i>			\$13,272	\$13,272

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Emergency Medical Services Fund*  
*For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$4,806	\$4,806	\$5,958	\$1,152
Intergovernmental	8,000	8,000	6,949	(1,051)
Charges for Services	3,980	3,980	61,687	57,707
Miscellaneous	1,194	1,194	86	(1,108)
<i>Total receipts</i>	<u>17,980</u>	<u>17,980</u>	<u>74,680</u>	<u>56,700</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	60,021	77,021	63,151	13,870
Capital Outlay	10,000	8,000	7,759	241
<i>Total Disbursements</i>	<u>70,021</u>	<u>85,021</u>	<u>70,910</u>	<u>14,111</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(52,041)</u>	<u>(67,041)</u>	<u>3,770</u>	<u>70,811</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	73,020	73,020	73,020	
Prior Year Encumbrances Appropriated	<u>1,521</u>	<u>1,521</u>	<u>1,521</u>	
<i>Unencumbered Cash Balance End of Year</i>	<u>\$22,500</u>	<u>\$7,500</u>	<u>\$78,311</u>	<u>\$70,811</u>

See accompanying notes to the basic financial statements



**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Fire Equipment and Maintenance Fund*  
*For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$38,002	\$38,002	\$29,214	(\$8,788)
Intergovernmental	18,500	18,500	10,914	(7,586)
Charges for Services	35,000	35,000	26,652	(8,348)
Miscellaneous	19,994	19,994	173	(19,821)
<i>Total receipts</i>	<u>111,496</u>	<u>111,496</u>	<u>66,953</u>	<u>(44,543)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	54,918	74,918	54,107	20,811
Capital Outlay	170,000	150,000	15,312	134,688
<i>Total Disbursements</i>	<u>224,918</u>	<u>224,918</u>	<u>69,419</u>	<u>155,499</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(113,422)</u>	<u>(113,422)</u>	<u>(2,466)</u>	<u>110,956</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	112,448	112,448	112,448	
Prior Year Encumbrances Appropriated	<u>1,218</u>	<u>1,218</u>	<u>1,218</u>	
<i>Unencumbered Cash Balance End of Year</i>	<u><u>111,200</u></u>	<u><u>111,200</u></u>	<u><u>\$111,200</u></u>	<u><u>\$111,200</u></u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Police Fund*  
*For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$51,027	\$51,027	\$48,102	(\$2,925)
Intergovernmental	7,000	7,000	19,875	12,875
Fines, Licenses and Permits	500	500	305	(195)
Miscellaneous	13,973	13,973	1,362	(12,611)
<i>Total receipts</i>	<u>72,500</u>	<u>72,500</u>	<u>69,644</u>	<u>(2,856)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	89,708	94,708	87,501	7,207
Capital Outlay	7,000	2,000	1,485	515
<i>Total Disbursements</i>	<u>96,708</u>	<u>96,708</u>	<u>88,986</u>	<u>7,722</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(24,208)</u>	<u>(24,208)</u>	<u>(19,342)</u>	<u>4,866</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	23,000	23,000	20,000	(3,000)
<i>Net Change in Fund Balance</i>	(1,208)	(1,208)	658	1,866
<i>Unencumbered Cash Balance Beginning of Year</i>	5,990	5,990	5,990	
Prior Year Encumbrances Appropriated	1,208	1,208	1,208	
<i>Unencumbered Cash Balance End of Year</i>	<u>\$5,990</u>	<u>\$5,990</u>	<u>\$7,856</u>	<u>\$1,866</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2009*

	WATER OPERATING FUND	SEWER OPERATING FUND	REFUSE COLLECTION FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$41,273	\$39,795	\$15,686	\$5,439	\$102,193
Investments				1,307	1,307
<i>Total Assets</i>	<u>\$41,273</u>	<u>\$39,795</u>	<u>\$15,686</u>	<u>\$6,746</u>	<u>\$103,500</u>
<b>Net Assets</b>					
Restricted for:					
Unrestricted	<u>\$41,273</u>	<u>\$39,795</u>	<u>\$15,686</u>	<u>\$6,746</u>	<u>\$103,500</u>

See accompanying notes to the basic financial statements

**PAYNE VILLAGE, PAULDING COUNTY**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2009*

	WATER OPERATING FUND	SEWER OPERATING FUND	REFUSE COLLECTION FUND
<b>Operating Receipts</b>			
Charges for Services	\$186,713	\$92,820	\$66,446
Other Operating Receipts	718	11,691	
<i>Total Operating Receipts</i>	<u>187,431</u>	<u>104,511</u>	<u>66,446</u>
<b>Operating Disbursements</b>			
Personal Services	45,059	13,725	
Employee Fringe Benefits	15,197	1,967	
Contractual Services	20,406	7,859	67,503
Supplies and Materials	38,695	29,333	
Other	13,304	15,223	
<i>Total Operating Disbursements</i>	<u>132,661</u>	<u>68,107</u>	<u>67,503</u>
<i>Operating Income (Loss)</i>	<u>54,770</u>	<u>36,404</u>	<u>(1,057)</u>
<b>Non-Operating Disbursements</b>			
Capital Outlay		(7,800)	
Principal Payments	(24,660)	(1,734)	
Interest and Fiscal Charges	(4,140)	(696)	
<i>Total Non-Operating Disbursements</i>	<u>(28,800)</u>	<u>(10,230)</u>	
<i>Income (Loss) before Transfers</i>	<u>25,970</u>	<u>26,174</u>	<u>(1,057)</u>
Transfers Out	<u>(23,200)</u>		
<i>Change in Net Assets</i>	2,770	26,174	(1,057)
<i>Net Assets Beginning of Year</i>	<u>38,503</u>	<u>13,621</u>	<u>16,743</u>
<i>Net Assets End of Year</i>	<u>\$41,273</u>	<u>\$39,795</u>	<u>\$15,686</u>

See accompanying notes to the basic financial statements

NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
	\$345,979
	12,409
	<u>358,388</u>
	58,784
	17,164
	95,768
	68,028
	28,527
	<u>268,271</u>
	90,117
	(7,800)
	(26,394)
	(4,836)
	<u>(39,030)</u>
	51,087
	<u>(23,200)</u>
	27,887
<u>\$6,746</u>	<u>75,613</u>
<u><u>\$6,746</u></u>	<u><u>\$103,500</u></u>

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**NOTE 1 – REPORTING ENTITY**

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

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

**A. Primary Government**

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

**B. Component Units**

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

**C. Public Entity Risk Pools**

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

Public Entity Risk Pool:

Ohio Government Risk Management Plan

Ohio Municipal League's Workers' Compensation Group Rating Plan

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

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

As further discussed in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States Of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and fund financial statements for the propriety 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

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

funds. Following the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

**B. Fund Accounting**

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

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Governmental Funds

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

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

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

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

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

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

Combined Sewer Overflow Fund- This fund receives from the Federal and State governments "debt forgiveness" monies, loans and grants.

Ohio Public Works Commission - Water Line Replacement Fund – This fund received a grant from the Ohio Water Public Works Commission to finance 80% of the village waterline replacement project completed in 2009.

Proprietary Funds

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

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

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

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

**C. Basis of Accounting**

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



**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

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

**D. Budgetary Process**

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

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

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

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

**E. Cash and Investments**

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

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

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

During 2009, the Village invested in a certificate of deposit which is recorded at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2009 was \$1,605, to the Street Maintenance Fund \$11, to the State Highway Maintenance Fund \$26 and \$46 to the Permissive Auto Vehicle License Fund.

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Inter Fund Receivables/Payables**

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

**I. Accumulated Leave**

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

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

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long Term Obligations**

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

**L. Net Assets**

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

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

**M. Fund Balance Reserves**

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

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**N. Inter fund Transactions**

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

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

**NOTE 3 – COMPLIANCE**

Contrary to Ohio law, total appropriations exceeded actual resources in the Fire Equipment and Maintenance Fund by \$45,517 and the Combined Sewer Overflow Fund by \$1,190,343.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$3,346 General Fund, \$728 Street Construction/Maintenance Fund, \$799 Emergency Medical Services Fund, \$803 Fire Equipment and Maintenance Fund and \$947 Police Fund.

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

**Deposits**

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

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

**NOTE 6 – 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 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, 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 04, 2009; if paid semiannually, the

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**NOTE 6 – PROPERTY TAXES (Continued)**

first payment was due February 04, 2009, with the remainder payable by July 15, 2009. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2008, were levied after October 1, 2008, 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 2009 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008, on the true value as of December 31, 2008. 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, 2009, was \$14.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property		
Residential	\$	9,758,440
Agricultural		27,160
Commercial/Industrial/Mineral		3,128,360
Tangible Personal Property		
Business		500,820
Total Assessed Value	\$	<u>13,414,780</u>

**NOTE 7 - RISK POOL MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk management Plan (the "Plan"), a non-assessable, an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 654 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village does not participate in this coverage.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 7 - RISK POOL MANAGEMENT (Continued)**

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

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following Assets, Liabilities and Retained Earnings at December 31, 2008 and 2007 (the latest information available):

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

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

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

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

**NOTE 8 – 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).

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

For the year ended December 31, 2009, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The 2009 employer contribution rate was 14.0 percent of covered payroll, except for both the law enforcement and public safety divisions, whose employer contribution rate for 2009 was 17.63 percent. 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, 2009, 2008, and 2007 were \$19,623, \$19,662, and \$19,349 respectively. These obligations are paid on a cash basis with 89 percent contributed for the year 2009 and 100 percent contributed for 2008 and 2007.

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

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while the Village is required to contribute 19.5 percent for police officers. The Village's required contributions to the OP&F for the years ended December 31, 2009, 2008, and 2007 were \$7,160, \$7,601 and 7,401. The Village has paid 77% of its required contributions for 2009, and 100% for 2008 and 2007.

**NOTE 9 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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**NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2009 employer contribution rate was 14.0 percent of covered payroll (17.63 percent for public safety and law enforcement). Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1, 2009 through March 31, 2009 and 5.5% from April 1, 2009 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007, were \$8,280, \$9,831 and \$7,684, respectively. These obligations are paid on a cash basis with 89 percent contributed for the year 2009 and 100 percent contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for states and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

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

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



VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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**NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

The Village contributions to OP&F for police to fund postemployment healthcare benefits for the years ending December 31, 2009, 2008, and 2007 were \$7,160, \$7,601 and \$7,401, respectively, of which \$2,478, \$2,630 and \$2,561 respectively, was allocated to the healthcare plan.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 11 - DEBT**

Debt outstanding as of December 31, 2009 was as follows:

DESCRIPTION	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>Governmental-type Activities:</u>						
Ohio Water Development Authority	4.00%	\$51,650	\$51,275	\$102,925		
Water Pollution Control Loan Fund	0.00%		102,925		\$102,925	
<u>Business-type Activities</u>						
Water Tower Loan Original Amount (\$385,000)	4.75%	97,102		24,660	72,442	\$25,874
Sewer Retention Pond Loan	4.00%	18,198		1,734	16,464	1,804
Total		<u>\$166,950</u>	<u>\$154,200</u>	<u>\$129,319</u>	<u>\$191,831</u>	<u>\$27,678</u>

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

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

The Ohio Water Development Authority (OWDA) Loan was used for the planning and design of the Village new Combined Sewer Overflow interceptor/Retention Pond project. The total amount to be drawn on this loan by the Village was \$102,926. This loan was rolled over into the Water Pollution Control Loan Fund with American Recovery and Reinvestment Act Funds in 2009.

The Village is in the process of constructing a new sewer facility with a projected cost of \$1,320,685. The project is being financed through a zero percent interest loan through the Water Pollution Control Loan Fund in the amount of \$312,270. As of December 31, 2009, the Village has obtained \$102,925 of the loan amount. A schedule of payments for the loan will be prepared by the Water Pollution Control Loan Fund at the time the project is completed. The Village was awarded with American Recovery and Reinvestment Act Funds (ARRA) debt principal forgiveness funds in the amount of \$906,675 to finance the remainder of the project. The Sewer Facility is scheduled to be completed in FY 2011.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 11 – DEBT (Continued)**

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

Year	Water Tower Note		Sewer Retention Pond Loan	
	Principal	Interest	Principal	Interest
2010	\$25,874	\$2,926	\$1,804	\$626
2011	27,147	1,653	1,878	552
2012	19,421	367	1,954	476
2013			2,034	396
2014			2,117	313
2015–2017			6,677	409
Totals	<u>\$72,442</u>	<u>\$4,946</u>	<u>\$16,464</u>	<u>\$2,772</u>

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, 2009, were an overall debt margin of \$1,409,650 and an unvoted debt margin of \$738,388.

**NOTE 12 - LEASES**

The Village entered into a two (2) lease on April 14, 2009 with Homier & Sons, Inc. for a Ferris IS 2002 lawn mower. The total lease price was \$2,700 for the two (2) years and was paid at the lease agreement was sign.

**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 2009, \$20,000 was transferred from the General Fund to the Police Fund, which was used for the operating expenses of the Police Department. Also, \$23,200 was transferred from the Water Operating Fund to the OPWC-Water Line Replacement Fund which was the Village's 20% share of the project's cost.

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# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Payne, Paulding County, (the Village) as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 15, 2010 wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-003 described in the accompanying schedule of findings to be a significant deficiency.

### **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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 15, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

April 15, 2010

VILLAGE OF PAYNE  
PAULDING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009

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

FINDING NUMBER 2009-001

**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.

**Ohio Revised Code § 5705.39** states that the total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditures therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

The actual amounts available for appropriations were less than the estimated resources and the current level of appropriations in the following funds:

Fund	Estimated Resources	Actual Resources	Total Appropriations
Fire Equipment and Maintenance Fund	\$223,700	\$179,401	\$224,918
Combined Sewer Overflow Fund	1,378,000	162,657	1,353,000

The Clerk/Treasurer should have requested an amended certificate of estimated resources from the commission which would have reduced the estimated resources to the level of the actual resources available for appropriations. Appropriations in these funds should have also been reduced to the level of the actual resources available for appropriations. Actual expenditures were less than actual resources for all the funds listed above.

We recommend the Clerk/Treasurer compare actual resources with estimated resources during the year and make changes when necessary.

FINDING NUMBER 2009-002

**Material Weakness – Budgetary Reporting**

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

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

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

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

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

Fund	Budget Column	Amount
General Fund	Original	\$110,940
	Final	110,940
Street Construction Maintenance and Repair Fund	Original	6,531
	Final	6,531
Emergency Medical Services Fund	Original	73,620
	Final	73,650
Fire Equipment and Maintenance Fund	Original	112,204
	Final	112,204

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

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

**FINDING NUMBER 2009-003**

**Significant Deficiency – Financial Reporting**

As a result of the audit procedures performed, Homestead and Rollback, Tangible Property Tax Replacement and Public Utility Reimbursements were misposted to "Taxes" instead of "Intergovernmental Revenue" in the General, Fire and Police Funds. Adjustments were made to move \$10,295 in General fund, \$5,551 in the Fire fund, and \$11,927 in the Police fund to "Intergovernmental Revenues".

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



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

**Official's Response:**

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

VILLAGE OF PAYNE  
PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Material Weakness – Adjustments were made to budgetary comparison statements.	No	Reissued as Finding 2009-002 in this report.
2008-002	Material Weakness- Adjustments were made to financial statements	No	Reissued as Finding 2009-003 in this report.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF PAYNE**

**PAULDING COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 11, 2010**