



**VILLAGE OF PAYNE  
PAULDING COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF PAYNE  
PAULDING COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Payne, Paulding County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Payne, Paulding County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction and Maintenance and Repair, Emergency Medical Services, Fire Equipment and Maintenance and Police Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

September 5, 2008

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED**

This discussion and analysis of the Village of Payne's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, 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 2007 are as follows:

- Net assets of governmental activities decreased \$41,706, or 13 percent, a significant change from the prior year. The General Fund was most affected by the decrease, in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2007; however, cost increases affected most funds.
- In 2007, the Village's general receipts were primarily property taxes, state and other taxes and charges for services. These receipts represent respectively 38 percent, 31 percent and 25 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2007 decreased 4% compared to 2006.
- In 2007, The Village's business type activities, its Enterprise Funds, had a Net Asset decrease of \$1,118 as compared to the 2006 Net Asset increase of \$8,073.
- 2007 Grants received were: a \$21,104 Ohio Nature Works Grant for park improvements, a \$4,800 Community Development Block Grant to purchase and install three fire hydrants, and a \$7,135 Ohio Criminal Justice Services Grant for police overtime and equipment.
- The Village contracted with the State Auditor's office to lease its Accounting/Payroll (UAN) hardware and software systems.
- The Ohio EPA accepted the Village's alternate Long Term Combined Sewer Overflow Plan for the construction of a retention pond to temporarily contain overflows. The Village purchased 17.2468 acres at a cost of \$51,740 to construct the above mentioned retention pond. \$20,000 was borrowed by the Village from WSOS Community Action to assist in the financing of the retention pond land.
- The Village established a Community Reinvestment Area within its incorporated limits.

**Using the Basic Financial Statements**

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

**Report Components**

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

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 2007, 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.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

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

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

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

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

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

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

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

**The Government as a Whole**

Table 1 provides a summary of the Government's net assets for 2007 compared to 2006 on cash basis

(Table 1)

**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Cash and Cash Equivalents	\$236,563	\$278,269	\$72,449	\$73,567	\$309,012	\$351,836
Investments	50,000	50,000			50,000	50,000
Total Assets	\$286,563	\$328,269	\$72,449	\$73,567	\$359,012	\$401,836
<b>Net Assets</b>						
Restricted for:						
Other Purposes	\$190,324	\$183,595			\$190,324	\$183,595
Unrestricted	96,239	144,674	\$72,449	\$73,567	168,688	218,241
Total Net Assets	\$286,563	\$328,269	\$72,449	\$73,567	\$359,012	\$401,836

As mentioned previously, net assets of governmental activities decreased \$41,706 or 13 percent during 2007. The primary reasons contributing to the decreases in cash balances are as follows:

- The Village disbursed \$34,000 in Park improvements in 2007 from the General Fund. The Village received \$21,104 from an Ohio Nature Works Grant in 2008 to offset part of the costs.
- Street improvements and repairs disbursements increased \$14,428 or 33 percent in 2007.
- Emergency Medical Services disbursements increased \$4,811 or 12% in 2007.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for governmental activities, business-type activities and total primary government.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

(Table 2)  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$99,379	\$86,001	\$316,519	\$337,089	\$415,898	\$423,090
Operating Grants and Contributions	80,941	132,582			80,941	132,582
Total Program Receipts	<u>180,320</u>	<u>218,583</u>	<u>316,519</u>	<u>337,089</u>	<u>496,839</u>	<u>555,672</u>
General Receipts:						
Property and Other Local Taxes	152,427	160,084			152,427	160,084
Other Taxes	322	135			322	135
Grants and Entitlements Not Restricted to Specific Programs	42,815	42,749			42,815	42,749
Cable Franchise Fees	11,125	7,400			11,125	7,400
Earnings on Investments	3,204	1,325			3,204	1,325
Miscellaneous	890	2,471	325		1,215	2,471
Sale of Notes			20,000		20,000	
Total General Receipts	<u>210,783</u>	<u>214,164</u>	<u>20,325</u>		<u>231,108</u>	<u>214,164</u>
Total Receipts	<u>391,103</u>	<u>432,747</u>	<u>336,844</u>	<u>337,089</u>	<u>727,947</u>	<u>769,836</u>
Disbursements:						
General Government	95,166	100,654			95,166	100,654
Security of Persons and Property	187,927	172,162			187,927	172,162
Public Health Services	2,600	2,763			2,600	2,763
Leisure Time Activities	36,392	2,088			36,392	2,088
Transportation	78,018	82,183			78,018	82,183
Capital Outlay	32,706	95,151			32,706	95,151
Water			162,237	215,374	162,237	215,374
Sewer			112,411	49,179	112,411	49,179
Refuse Collection			63,311	64,463	63,311	64,463
Water and Sewer Advance Deposit			3		3	
Total Disbursements	<u>432,809</u>	<u>455,001</u>	<u>337,962</u>	<u>329,016</u>	<u>770,771</u>	<u>784,017</u>
Increase (Decrease) in Net Assets	(41,706)	(22,254)	(1,118)	8,073	(42,824)	(14,181)
Net Assets, January 1	<u>328,269</u>	<u>350,523</u>	<u>73,567</u>	<u>65,494</u>	<u>401,836</u>	<u>416,017</u>
Net Assets, December 31	<u>\$286,563</u>	<u>\$328,269</u>	<u>\$72,449</u>	<u>\$73,567</u>	<u>\$359,012</u>	<u>\$401,836</u>

Program receipts represent 69 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as fire protection contracts, Emergency Medical Service run charges, water fees, sewer fees, refuse collection fees, motor vehicle license and gas tax money, building permits and inspection fees.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

General receipts in the governmental activities represent 54 percent of the Village's total governmental receipts, and of this amount, over 72 percent is from local property taxes. State and federal grants and entitlements, cable franchise fees and investment income make up 27 percent of the balance of the Village's general receipts. Other receipts are very insignificant (5 percent) and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of the Mayor's office, Council, Clerk-Treasurer, Zoning activities, building maintenance/utilities, County and State Auditor fees as well as internal services such as accounting, payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 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; the Economic Development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, general government, transportation and leisure time activities which account for 43 percent, 22 percent, 18 percent and 8 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$95,166	\$87,497	\$100,654	\$95,869
Security of Persons and Property	187,927	76,871	172,162	51,562
Public Health Services	2,600	2,600	2,763	2,763
Leisure Time Activities	36,392	36,232	2,088	1,032
Community Environment		(370)		
Transportation	78,018	16,953	82,183	(9,959)
Capital Outlay	32,706	32,706	95,151	95,151
Total Expenses	\$432,809	\$252,489	\$455,001	\$236,418

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

**Business-type Activities**

The Water Operating Fund had a net gain of \$24,563 due to supplies and repairs were substantially less than anticipated. The Sewer Operating Fund net loss of \$26,572 was from the purchase of 17 acres of land to construct a sewage retention pool mandated by the Ohio Environmental Protection Agency.

**The Village's Funds**

Total governmental funds had receipts and other financing sources of \$421,103 and disbursements and other financing uses of \$462,809. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$48,435 due to the transfer of monies to the Police Fund. The Street Construction Maintenance and Repair Fund balance decreased \$5,991 due to increases in street maintenance and repair projects. The Emergency Medical Service Fund balance increased \$7,612 due to an increase in Emergency Medical Services charges, and the Fire Equipment and Maintenance Fund balance increased \$9,810 due to an increase in fire contract revenues with local townships.

**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.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

During 2007, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due over estimates of property and other local taxes, intergovernmental and miscellaneous revenues. The difference between final budgeted receipts and actual receipts was \$41,933 due to over estimate of intergovernmental and miscellaneous.

Final disbursements were budgeted at \$212,715 while actual disbursements were \$153,025. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$53,100 for 2007.

**Debt Administration**

At December 31, 2007, the Village's outstanding debt included \$120,685 promissory note for the new water tower and improvements made to the water facility and a loan of \$19,864 to acquire land for a Sewer Retention Pond. This note is being repaid from the Water Operating and the Sewer Operating Fund. For further information regarding the Government's debt, refer to Note 10 to the basic financial statements.

**Current Issues**

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

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ronald Etzler, Clerk-Treasurer, Village of Payne, P. O. Box 58, Payne, OH 45880-0058.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Nets - Cash Basis  
December 31, 2007*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$236,563	\$72,449	\$309,012
Investments	50,000		50,000
<i>Total Assets</i>	<u>\$286,563</u>	<u>\$72,449</u>	<u>\$359,012</u>
<b>Net Assets</b>			
Restricted for:			
Other Purposes	\$190,324		\$190,324
Unrestricted	96,239	\$72,449	168,688
<i>Total Net Assets</i>	<u>\$286,563</u>	<u>\$72,449</u>	<u>\$359,011</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2007*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Security of Persons and Property	\$187,927	\$85,299	\$25,757	(\$76,871)		(\$76,871)
Public Health Services	2,600			(2,600)		(2,600)
Leisure Time Activities	36,392	160		(36,232)		(36,232)
Community Environment		370		370		370
Transportation	78,018	5,881	55,184	(16,953)		(16,953)
General Government	95,166	7,669		(87,497)		(87,497)
Capital Outlay	32,706			(32,706)		(32,706)
<i>Total Governmental Activities</i>	<u>432,809</u>	<u>99,379</u>	<u>80,941</u>	<u>(252,489)</u>		<u>(252,489)</u>
<b>Business Type Activities</b>						
Water Operating	162,237	186,580			\$24,343	24,343
Sewer Operating	112,411	65,734			(46,677)	(46,677)
Refuse Collection	63,311	64,205			894	894
Water and Sewer Advance Deposits	3				(3)	(3)
<i>Total Business Type Activities</i>	<u>337,962</u>	<u>316,519</u>			<u>(21,443)</u>	<u>(21,443)</u>
<i>Total Primary Government</i>	<u>\$770,771</u>	<u>\$415,898</u>	<u>\$80,941</u>	<u>(\$252,489)</u>	<u>(\$21,443)</u>	<u>(\$273,932)</u>
<b>General Receipts</b>						
Property Taxes				\$152,427		\$152,427
Other Taxes				322		322
Grants and Entitlements not Restricted to Specific Programs				42,815		42,815
Sale of Notes					\$20,000	20,000
Cable Franchise Fees				11,125		11,125
Earnings on Investments				3,204		3,204
Miscellaneous				890	325	1,215
<i>Total General Receipts</i>				<u>210,783</u>	<u>20,325</u>	<u>231,108</u>
Change in Net Assets				(41,706)	(1,118)	(42,824)
<i>Net Assets Beginning of Year</i>				<u>328,269</u>	<u>73,567</u>	<u>401,836</u>
<i>Net Assets End of Year</i>				<u>\$286,563</u>	<u>\$72,449</u>	<u>\$359,012</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2007*

	GENERAL FUND	STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND	EMERGENCY MEDICAL SERVICE FUND	FIRE EQUIPMENT AND MAINTENANCE FUND	POLICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$46,239	\$8,708	\$41,244	\$81,327	\$10,999	\$48,046	\$236,563
Investments	50,000						50,000
<i>Total Assets</i>	<u>\$96,239</u>	<u>\$8,708</u>	<u>\$41,244</u>	<u>\$81,327</u>	<u>\$10,999</u>	<u>\$48,046</u>	<u>\$286,563</u>
<b>Fund Balances</b>							
Reserved:							
Reserved for Encumbrances	\$4,665	\$786	\$514	\$1,619			\$7,584
Unreserved:							
Undesignated, Reported in:							
General Fund	91,574						91,574
Special Revenue Funds		7,922	40,730	79,708	\$10,999	\$48,046	187,405
<i>Total Fund Balances</i>	<u>\$96,239</u>	<u>\$8,708</u>	<u>\$41,244</u>	<u>\$81,327</u>	<u>\$10,999</u>	<u>\$48,046</u>	<u>\$286,563</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007*

	GENERAL FUND	STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND	EMERGENCY MEDICAL SERVICE FUND	FIRE EQUIPMENT AND MAINTENANCE FUND
<b>Receipts</b>				
Property and Other Local Taxes	\$65,331		\$4,855	\$36,492
Intergovernmental	42,815	\$51,046	367	3,278
Charges for Services	160		54,085	31,214
Fines, Licenses and Permits	18,289			
Earnings on Investments	3,091	30		
Miscellaneous	239	119	5	203
<b>Total Receipts</b>	<b>129,925</b>	<b>51,195</b>	<b>59,312</b>	<b>71,187</b>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	1,057		45,398	57,354
Public Health Services	2,600			
Leisure Time Activities	36,392			
Transportation	3,332	57,186		
General Government	95,166			
Capital Outlay	9,813		6,302	4,023
<b>Total Disbursements</b>	<b>148,360</b>	<b>57,186</b>	<b>51,700</b>	<b>61,377</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(18,435)</b>	<b>(5,991)</b>	<b>7,612</b>	<b>9,810</b>
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	(30,000)			
<b>Total Other Financing Sources (Uses)</b>	<b>(30,000)</b>			
<b>Net Change in Fund Balances</b>	<b>(48,435)</b>	<b>(5,991)</b>	<b>7,612</b>	<b>9,810</b>
Fund Balances Beginning of Year	144,674	14,699	33,632	71,517
Fund Balances End of Year	<u>\$96,239</u>	<u>\$8,708</u>	<u>\$41,244</u>	<u>\$81,327</u>

See accompanying notes to the basic financial statements

POLICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
\$46,071	\$5,881	\$158,630
17,311	8,939	123,756
		85,459
875		19,164
	83	3,204
324		890
<u>64,581</u>	<u>14,903</u>	<u>391,103</u>
84,118		187,927
		2,600
		36,392
	17,500	78,018
		95,166
7,768	4,800	32,706
<u>91,886</u>	<u>22,300</u>	<u>432,809</u>
<u>(27,305)</u>	<u>(7,397)</u>	<u>(41,706)</u>
30,000		30,000
		(30,000)
<u>30,000</u>		
2,695	(7,397)	(41,706)
8,304	55,443	328,269
<u>\$10,999</u>	<u>\$48,046</u>	<u>\$286,563</u>

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$67,103	\$47,595	\$65,331	\$17,736
Intergovernmental	80,698	69,616	42,815	(26,801)
Charges for Services	1,000	1,000	160	(840)
Fines, Licenses and Permits	18,100	18,100	18,289	189
Earnings on Investments	5,000	5,000	3,091	(1,909)
Miscellaneous	55,649	30,547	239	(30,308)
<i>Total Receipts</i>	<u>227,550</u>	<u>171,858</u>	<u>129,925</u>	<u>(41,933)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	500	1,700	1,448	252
Public Health Services	3,100	4,100	2,600	1,500
Leisure Time Activities	40,000	40,000	36,456	3,544
Transportation	6,700	6,200	3,332	2,868
General Government	145,415	149,765	99,376	50,389
Capital Outlay	13,000	10,950	9,813	1,137
<i>Total Disbursements</i>	<u>208,715</u>	<u>212,715</u>	<u>153,025</u>	<u>59,690</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,835</u>	<u>(40,857)</u>	<u>(23,100)</u>	<u>17,757</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	50,000	50,000		(50,000)
Transfers Out	(108,000)	(104,000)	(30,000)	74,000
<i>Total Other Financing Sources (Uses)</i>	<u>(58,000)</u>	<u>(54,000)</u>	<u>(30,000)</u>	<u>24,000</u>
<i>Net Change in Fund Balance</i>	(39,165)	(94,857)	(53,100)	41,757
<i>Cash Balance Beginning of Year</i>	<u>144,674</u>	<u>144,674</u>	<u>144,674</u>	
<i>Cash Balance End of Year</i>	<u>\$105,509</u>	<u>\$49,817</u>	<u>\$91,574</u>	<u>\$41,757</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Street Construction Maintenance and Repair Fund  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$40,001	\$35,694	\$51,046	\$15,352
Earnings on Investments	500	500	30	(470)
Miscellaneous			119	119
<i>Total Receipts</i>	<u>40,501</u>	<u>36,194</u>	<u>51,195</u>	<u>15,001</u>
<b>Disbursements</b>				
Current:				
Transportation	55,200	69,000	57,972	(11,028)
Capital Outlay	15,000	1,200		1,200
<i>Total Disbursements</i>	<u>70,200</u>	<u>70,200</u>	<u>57,972</u>	<u>(9,828)</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(29,699)</u>	<u>(34,006)</u>	<u>(6,777)</u>	<u>27,229</u>
<b>Other Financing Sources</b>				
Transfers In	15,000	15,000		(15,000)
<i>Net Change in Fund Balance</i>	(14,699)	(19,006)	(6,777)	12,229
<i>Cash Balance Beginning of Year</i>	<u>\$14,699</u>	<u>14,699</u>	<u>14,699</u>	
<i>Cash Balance End of Year</i>		<u>(\$4,307)</u>	<u>\$7,922</u>	<u>\$12,229</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Emergency Medical Service Fund  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$6,000	\$6,000	\$4,855	(\$1,145)
Intergovernmental	8,400	8,400	367	(8,033)
Charges for Services	14,968	44,513	54,085	9,572
Miscellaneous			5	5
<i>Total Receipts</i>	<u>29,368</u>	<u>58,913</u>	<u>59,312</u>	<u>399</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	53,000	53,000	45,912	7,088
Capital Outlay	11,000	11,000	6,302	4,698
<i>Total Disbursements</i>	<u>64,000</u>	<u>64,000</u>	<u>52,214</u>	<u>11,786</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,632)</u>	<u>(5,087)</u>	<u>7,098</u>	<u>12,185</u>
<b>Other Financing Sources</b>				
Transfers In	1,000	1,000		(1,000)
<i>Net Change in Fund Balance</i>	<u>(33,632)</u>	<u>(4,087)</u>	<u>7,098</u>	<u>11,185</u>
<i>Cash Balance Beginning of Year</i>	<u>\$33,632</u>	<u>33,632</u>	<u>33,632</u>	
<i>Cash Balance End of Year</i>		<u><u>\$29,545</u></u>	<u><u>\$40,730</u></u>	<u><u>\$11,185</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Fire Equipment and Maintenance Fund  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$23,146	\$16,001	\$36,492	\$20,491
Intergovernmental	14,803	27,500	3,278	(24,222)
Charges for Services	16,821	11,629	31,214	19,585
Miscellaneous	26,857	19,257	203	(19,054)
<i>Total Receipts</i>	<u>81,627</u>	<u>74,387</u>	<u>71,187</u>	<u>(3,200)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	101,500	110,500	58,973	(51,527)
Capital Outlay	53,000	44,000	4,023	(39,977)
<i>Total Disbursements</i>	<u>154,500</u>	<u>154,500</u>	<u>62,996</u>	<u>(91,504)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(72,873)</u>	<u>(80,113)</u>	<u>8,191</u>	<u>88,304</u>
<b>Other Financing Sources</b>				
Transfers In	1,000	1,000		(1,000)
<i>Net Change in Fund Balance</i>	(71,873)	(79,113)	8,191	87,304
<i>Cash Balance Beginning of Year</i>	<u>\$71,873</u>	<u>71,873</u>	<u>71,517</u>	
<i>Cash Balance End of Year</i>		<u>(\$7,240)</u>	<u>\$79,708</u>	<u>\$86,948</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Police Fund  
For the Year Ended December 31, 2007*

	<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	\$43,552	\$51,500	\$46,071	(\$5,429)
Intergovernmental	1,500	1,500	17,311	15,811
Fines, Licenses and Permits	400	400	875	475
Miscellaneous			324	324
<i>Total Receipts</i>	<u>45,452</u>	<u>53,400</u>	<u>64,581</u>	<u>11,181</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	88,200	85,600	84,118	1,482
Capital Outlay	5,200	7,800	7,768	32
<i>Total Disbursements</i>	<u>93,400</u>	<u>93,400</u>	<u>91,886</u>	<u>1,514</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(47,948)</u>	<u>(40,000)</u>	<u>(27,305)</u>	<u>12,695</u>
<b>Other Financing Sources</b>				
Transfers In	40,000	40,000	30,000	(10,000)
<i>Net Change in Fund Balance</i>	(7,948)		2,695	2,695
<i>Cash Balance Beginning of Year</i>	<u>\$7,948</u>	<u>7,948</u>	<u>8,304</u>	
<i>Cash Balance End of Year</i>		<u>\$7,948</u>	<u>\$10,999</u>	<u>\$3,051</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Fund Net Assets - Cash Basis  
Proprietary Funds  
December 31, 2007*

	<u>WATER OPERATING FUND</u>	<u>SEWER OPERATING FUND</u>	<u>REFUSE COLLECTION FUND</u>	<u>NONMAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$42,822</u>	<u>\$7,292</u>	<u>\$15,590</u>	<u>\$6,745</u>	<u>\$72,449</u>
Net Assets					
Unrestricted	<u>\$42,822</u>	<u>\$7,292</u>	<u>\$15,590</u>	<u>\$6,745</u>	<u>\$72,449</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2007*

	WATER OPERATING FUND	SEWER OPERATING FUND	REFUSE COLLECTION FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
<b>Operating Receipts</b>					
Charges for Services	\$186,580	\$65,734	\$64,205		\$316,519
Other Operating Receipts	220	105			325
<i>Total Operating Receipts</i>	<u>186,800</u>	<u>65,839</u>	<u>64,205</u>		<u>316,844</u>
<b>Operating Disbursements</b>					
Personal Services	42,060	11,058			53,118
Employee Fringe Benefits	20,375	1,413			21,788
Contractual Services	16,330	7,909	63,311		87,550
Supplies and Materials	38,594	17,935			56,529
Other	12,658	21,810		\$3	34,471
<i>Total Operating Disbursements</i>	<u>130,017</u>	<u>60,125</u>	<u>63,311</u>	<u>3</u>	<u>253,456</u>
<i>Operating Income (Loss)</i>	<u>56,783</u>	<u>5,714</u>	<u>894</u>	<u>(3)</u>	<u>63,388</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Sale of Notes		20,000			20,000
Capital Outlay	(3,420)	(52,083)			(55,503)
Principal Payments	(22,493)	(136)			(22,629)
Interest and Fiscal Charges	(6,307)	(67)			(6,374)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(32,220)</u>	<u>(32,286)</u>			<u>(64,506)</u>
<i>Change in Net Assets</i>	24,563	(26,572)	894	(3)	(1,118)
<i>Net Assets Beginning of Year</i>	<u>18,259</u>	<u>33,864</u>	<u>14,696</u>	<u>6,748</u>	<u>73,567</u>
<i>Net Assets End of Year</i>	<u>\$42,822</u>	<u>\$7,292</u>	<u>\$15,590</u>	<u>\$6,745</u>	<u>\$72,449</u>

See accompanying notes to the basic financial statements

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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 a volunteer fire 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 7 to the financial statements provides additional information for these entities.

Public Entity Risk Pool:

Ohio Government Risk Management Plan

Ohio Municipal League's Workers' Compensation Group Rating Plan

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

As further discussed in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

**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.

Governmental Funds

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

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

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

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

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

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

Proprietary Funds

The Village classifies Funds financed primarily from user charges for goods or services as 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 accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

**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 than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued 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. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

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

**E. Cash and Investments**

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

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.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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

During 2007, the Village invested in a certificate of deposit and in a money market fund. The certificate of deposit is reported at cost plus accumulated interest.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$3,091 which includes \$646 assigned from other Village funds. Additional interest earnings credited was \$30 to the Street Maintenance Fund and \$83 to the State Highway Maintenance Fund.

**F. Inventory and Prepaid Items**

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when 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.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

**L. Net Assets**

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

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

**M. Fund Balance Reserves**

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

**N. Inter fund Transactions**

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

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

**NOTE 3 – COMPLIANCE**

Contrary to Ohio law, total appropriations exceed actual resources in the General Fund by \$42,116, Street Construction Maintenance and Repair Fund by \$4,306, Fire Equipment and Maintenance Fund by \$11,796 and the Sewer Operating Fund by \$93,298.

**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 \$4,665 General Fund, \$786 Street Construction Maintenance and Repair Fund, \$514 Emergency Medical Services Fund and \$1,619 Fire Equipment and Maintenance Fund.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**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;
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).

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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 it's authorized depository, First Financial Bank.

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

**NOTE 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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment was due February 07, 2007; if paid semiannually, the first payment was due February 07, 2007, with the remainder payable by July 20, 2007. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

The full tax rate for all Village operations for the year ended December 31, 2007, was \$13.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property		
Residential	\$	9,097,740
Agricultural		100
Commercial/Industrial/Mineral		2,839,250
Tangible Personal Property		
Business		1,940,180
Public Utility		556,830
Total Assessed Value	\$	<u>14,434,100</u>

**NOTE 7 – RISK POOL MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

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

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

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 7 – RISK POOL MANAGEMENT – (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

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

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

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The following information was provided by the Ohio PERS to assist the Village in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Governments Employers."

All employees of the Village, except for the chief of police, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invest both member and employer contributions. (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including post employment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, employee and employer contribution rates were consistent across all three plans (TP, MD, and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate of local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007, through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% to fund health care. The contribution requirements of plan members and the Village are established and may be amended by the Public Employees Retirement Board. The Village's contributions to the Ohio PERS for the years ending December 31, 2007, 2006, and 2005, were \$19,349, \$18,387, and \$17,113 respectively. The full amount has been contributed for 2007, 2006, and 2005.

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

All Village full time police officers and full-time firefighters participate in the OP&F Fund, a cost sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contributions requirements and benefits provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The Village's contribution to the OP&F Fund for the years ending December 31, 2007, 2006, and 2005, were \$7,401, \$6,422, and \$6,805. The full amount has been contributed for 2007, 2006, and 2005.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 9 – POSTEMPLOYMENT BEFEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio PERS provides post employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1, through June 30, 2007, and 6.0% from July 1, through December 31, 2007, of covered payroll which amounted to \$7,684.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement's latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between the assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increases assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase annually plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond) health care cost were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO plans was 374379. The acturial value of the Ohio PERS net assets available for OPEB at December 31, 2006, is 12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were 30.7 billion and 18.7 billion, respectively.

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 increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan

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

The Ohio Police and Fire Pension (OP&F) Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 9 – POSTEMPLOYMENT BEFEFITS – (CONTINUED)**

The portion of the 2007 covered payroll that was used to fund postemployment health care benefits was \$2,562 representing 6.75% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2006, the date of the last actuarial evaluation available, the number of participants eligible to received health care benefits was 14,120 for police. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Funds total health care expenses for the year ended December 31, 2006, were \$120,373,722, which was net of member contributions of \$58,532,848.

**NOTE 10 – DEBT**

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Business-type Activities</u>						
Water Tower Loan (Original Amount \$385,000)	4.75%	\$143,178		\$22,493	\$120,685	\$23,488
Sewer Retention Pond Loan	4%		\$20,000	136	19,864	1,666
		<u>\$143,178</u>	<u>\$20,000</u>	<u>\$22,629</u>	<u>\$140,549</u>	<u>\$25,154</u>

The Village entered into a promissory note with a local bank. This was used to finance improvements to the water distribution system, mainly replacement of the water tower. The total drawn on this note was \$385,000. The loan is repaid from the Village's Water fund, which is primarily funded by user fees. The note has a variable rate of interest not more than 11.25% or less then 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 EPA mandate. The 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 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
2008	\$23,488	\$5,313	\$1,666	\$764
2009	24,659	4,141	1,734	696
2010	25,874	2,926	1,804	626
2011	27,147	1,653	1,878	552
2012	19,517	367	1,954	476
2013–2017			10,828	1,118
Totals	<u>\$120,685</u>	<u>\$14,400</u>	<u>\$19,864</u>	<u>\$4,232</u>

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 10 – DEBT – (CONTINUED)**

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$1,515,580 and an unvoted debt margin of \$793,875.

**NOTE 11 – LEASES**

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

**NOTE 12 – 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 2007, \$30,000 was transferred from the General Fund to the Police Fund, which was used for the operating expenses of the Police Department.



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 5, 2008, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Village. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

### **Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-004.

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

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

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

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

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

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

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



**Mary Taylor, CPA**  
Auditor of State

September 5, 2008

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

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

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

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

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

<u>FY 2007</u>	<u>Actual Resources</u>	<u>Estimated Resources</u>	<u>Total Appropriations</u>
General Fund	\$274,599	\$366,532	\$316,715
Street Construction			
Maintenance and Repair Fund	65,894	65,893	70,200
Fire Equipment Fund	142,704	147,260	154,500
Sewer Fund	119,702	146,317	213,000

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

**FINDING NUMBER 2007-002**

**Noncompliance Citation - Material Weakness**

Ohio Revised Code §5705.09 (G) requires each subdivision to establish a special fund for each public utility operated by the subdivision. Ohio Revised Code §5705.10 (D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

**FINDING NUMBER 2007-002  
 (Continued)**

As required by statute, the Village has established separate special funds for its public utilities (Water and Sewer) operations. Collections relating to water operations in the amount of \$6,614, however, were incorrectly allocated to the sewer fund. This could result in these monies being used for sewer purposes instead of water.

An adjustment was included in the accompanying financial statements and the Village's financial records to correct this allocation.

We recommend management monitor these funds closely to ensure revenues and expenditures are recorded in the proper fund.

**FINDING NUMBER 2007-003**

**Budgetary Comparison Schedules - Material Weakness**

Government Accounting Standards Board (GASB) Statement 34, Section 130 requires budgetary comparisons should be presented for the general fund and for each major special revenue fund that has a legally adopted annual budget.

The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. The following differences were noted in the Village's budgetary comparison:

Funds	Amounts Recorded	Audited Amounts	Difference
<b>General Fund</b>			
Estimated Revenues - Original	\$ 316,715	\$ 277,550	\$ 39,165
Estimated Revenues - Final	307,558	221,858	85,700
Appropriations - Final	296,715	316,715	(20,000)
<b>Street Construction Maintenance and Repair Fund</b>			
Estimated Revenues - Original	70,200	55,501	14,699
Estimated Revenues - Final	70,200	51,194	19,006
<b>Emergency Medical Service Fund</b>			
Estimated Revenues - Original	65,000	30,368	34,632
Estimated Revenues - Final	66,000	59,913	6,087
<b>Fire Equipment and Maintenance Fund</b>			
Estimated Revenues - Original	154,500	82,627	71,873
Estimated Revenues - Final	154,500	75,387	79,113
<b>Police Fund</b>			
Estimated Revenues - Original	93,400	85,452	7,948

**FINDING NUMBER 2007-003  
(Continued)**

The original budget is to the first complete appropriated budget (revenues and expenditures). The original budget should also include estimated revenues from the official amended certificate of estimated resources received from the county auditor and actual appropriation amounts automatically carried over from prior years by law. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

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

**FINDING NUMBER 2007-004**

**Financial Reporting - Material Weakness**

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

The Village advanced \$20,000 from General fund to the Sewer fund. This advance was returned to the General fund prior to December 31, 2007. The 2007 financial statements included both the initial advance and the repayment. Since advances are considered to be temporary interfund loans, the completed transaction is not to be included in the financial statements.

The Village tracks activity related to street lights separately in its financial records, but for reporting purposes this activity included as a part of the General fund. Transfers in the amount of \$72,000 were approved from the street lights activity to the General fund. Since this activity was reported in the financial statements as part of the General fund, these transfers were eliminated to avoid "doubling up" revenues and expenditures.

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

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

**Officials' Response:**

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

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>
2006-001	Ohio Revised Code §5705.36(A)(2). Appropriations exceeding actual resources and estimated resources.	No	Reissued as Finding 2007-001 in this report.
2006-002	Financial Reporting	No	Reissued as Finding 2007-004 in this report.
2006-003	Budgetary Comparison Schedules	No	Reissued as Finding 2007-003 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  
OCTOBER 7, 2008**