



VILLAGE OF PAYNE
PAULDING COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Payne
Paulding County
119 North Main Street
P.O. Box 58
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To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Payne, Paulding County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Efficient • Effective • Transparent

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matters

As discussed in Note 15 to the financial statements, during 2020, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 17 to the 2021 financial statements and Note 14 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 21, 2022

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Village of Payne
Paulding County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$65,075	\$124,872		\$189,947
Municipal Income Tax	356,845			356,845
Intergovernmental	44,742	169,372	\$35,056	249,170
Charges for Services		141,981		141,981
Fines, Licenses and Permits	1,137	160		1,297
Earnings on Investments	769	96		865
Miscellaneous	22,092	9,804	720	32,616
<i>Total Cash Receipts</i>	<u>490,660</u>	<u>446,285</u>	<u>35,776</u>	<u>972,721</u>
Cash Disbursements				
Current:				
Security of Persons and Property	22,114	371,335		393,449
Public Health Services	2,160			2,160
Leisure Time Activities	34,608	13,580	33,188	81,376
Transportation		63,847		63,847
General Government	98,942	4,728		103,670
Capital Outlay	1,965	24,620	22,001	48,586
<i>Total Cash Disbursements</i>	<u>159,789</u>	<u>478,110</u>	<u>55,189</u>	<u>693,088</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>330,871</u>	<u>(31,825)</u>	<u>(19,413)</u>	<u>279,633</u>
Other Financing Receipts (Disbursements)				
Transfers In		58,000	239,076	297,076
Transfers Out	(297,076)			(297,076)
Advances In		5,286	20,500	25,786
Advances Out	(20,500)	(5,286)		(25,786)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(317,576)</u>	<u>58,000</u>	<u>259,576</u>	
<i>Net Change in Fund Cash Balances</i>	13,295	26,175	240,163	279,633
<i>Fund Cash Balances, January 1</i>	<u>186,172</u>	<u>616,120</u>	<u>240,093</u>	<u>1,042,385</u>
<i>Fund Cash Balances, December 31</i>	<u>\$199,467</u>	<u>\$642,295</u>	<u>\$480,256</u>	<u>\$1,322,018</u>

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

Village of Payne
Paulding County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2021

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$426,231
Miscellaneous	99
<i>Total Operating Cash Receipts</i>	<i>426,330</i>
Operating Cash Disbursements	
Personal Services	66,928
Fringe Benefits	18,479
Contractual Services	154,343
Supplies and Materials	187,027
Other	8,012
<i>Total Operating Cash Disbursements</i>	<i>434,789</i>
<i>Operating Loss</i>	<i>(8,459)</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	39,074
Capital Outlay	(10,974)
Principal Retirement	(15,546)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>12,554</i>
<i>Net Change in Fund Cash Balances</i>	<i>4,095</i>
<i>Fund Cash Balances, January 1</i>	<i>339,813</i>
<i>Fund Cash Balances, December 31</i>	<i>\$343,908</i>

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

Village of Payne
Paulding County
Statement of Additions, Deductions
and Change in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2021

	Fiduciary Fund Type
	Custodial
Additions	
Fines, Licenses and Permits for Distribution	\$782
Deductions	
Distributions to Other Governments	156
Distributions to Other Funds (Primary Government)	322
<i>Total Deductions</i>	478
<i>Net Change in Fund Cash Balance</i>	304
<i>Fund Cash Balance, January 1</i>	200
<i>Fund Cash Balance, December 31</i>	\$504

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

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village of roads, park operations, police services, emergency medical services, and fire services. The Village contracts with Real Waste Disposal to provide garbage and bulk waste removal services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization, the Regional Income Tax Agency (RITA), and a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Notes 6 and 15 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type and a statement of additions, deductions and change in fund balance (regulatory cash basis) for the fiduciary fund type which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Emergency Medical Service Fund This fund receives revenue from property taxes to provide emergency medical services 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 police protection to residents of the Village. The Police Fund is not self-supporting and is supplemented by transfers from the General Fund. The source of the monies for the transfers is the Village's income tax collections.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Improvements Fund This fund receives transfers from the General Fund to finance Village improvement projects and equipment purchases. The source of the monies for the transfers is the Village's income tax collections.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

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

Water Operating Fund This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's Custodial Fund accounts for Mayor's Court activity.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

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

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

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 16.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$472,635	\$490,660	\$18,025
Special Revenue	537,753	504,285	(33,468)
Capital Projects	608,476	274,852	(333,624)
Enterprise	430,277	465,404	35,127
Total	\$2,049,141	\$1,735,201	(\$313,940)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$570,573	\$457,468	\$113,105
Special Revenue	706,498	481,091	225,407
Capital Projects	678,220	321,189	357,031
Enterprise	563,212	462,611	100,601
Total	\$2,518,503	\$1,722,359	\$796,144

The Special Revenue Fund actual receipts and disbursements will be lower on the budgetary statement in the amount of \$5,286, and the Capital Projects Fund actual receipts and the General Fund actual disbursements will be lower on the budgetary statement in the amount of \$20,500 due to advances not being budgeted by the Village.

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2021
Demand deposits	\$642,610
Other time deposits	1,307
Total deposits	643,917
STAR Ohio	1,022,513
Total deposits and investments	\$1,666,430

The Village has a separate payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll. The balance in the Village's payroll clearing account represents a minimum \$450 balance plus any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. 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.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60 percent and 70 percent of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70 percent and 75 percent. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65 percent and 70 percent. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60 percent and 67.5 percent and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021. The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans which include medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2021 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$139,917	0.00%

The Village constructed a new sewer facility for a total cost of \$1,320,685 that was completed in 2011. The Village was awarded with American Recovery and Reinvestment Act Funds (ARRA) debt principal forgiveness funds in the amount of \$906,675. The remainder of the project was financed through a zero percent interest loan through Ohio Development Authority's Water Pollution Control Loan Fund in the amount of \$312,270.

Amortization

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

Year Ending December 31:	OWDA Loan
2022	\$7,773
2023	15,546
2024	15,546
2025	15,546
2026	15,546
2027-2029	46,639
2030	23,321
Total	\$139,917

Note 10 – Construction and Contractual Commitment

The Village had a contract commitment as of December 31, 2021 for its Safe Routes to School grant project costs in the amount of \$266,000. This project was not completed as of December 31, 2021.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 11 – Interfund Transfers

During 2021, the following transfers were made:

<u>Fund</u>	<u>Transfer In</u>
Transfers From General Fund To:	
Special Revenue Fund:	
Emergency Medical Service Fund	\$40,000
Police Fund	18,000
Capital Projects Fund:	
Capital Improvements Fund	<u>239,076</u>
	<u>\$297,076</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Note 12 – Interfund Advances

During 2021, the Village advanced \$20,500 from the General Fund to the Capital Improvement Community Park Fund. Also, the Federal Grant FEMA Fund returned a prior year outstanding advance of \$5,286 to the Fire Equipment and Maintenance Fund during 2021.

Outstanding advances at December 31, 2021 consisted of \$20,500 advanced from the General Fund to the Capital Improvement Community Park Fund to provide working capital for projects.

Note 13 – Subsequent Events

In July 2022, the Village was approved for a \$85,467 Ohio Public Works Commission (OPWC) loan and a \$121,073 OPWC grant for the Plainfield Drive Waterline project. Additionally, in June 2022, the Village was approved for a \$33,025 Environmental Protection Agency grant for a lead service line project.

Note 14 – Miscellaneous Revenues

Miscellaneous receipts in the Enterprise Fund primarily consisted of insurance reimbursements.

Note 15 – Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the Village paid RITA \$9,846 for income tax collection services.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Continued)

Note 16 – Fund Balances

Included in fund balance are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Outstanding Encumbrances	\$603	\$2,981	\$266,000	\$269,584

The fund balance of Special Revenue and Capital Project Funds is either restricted or committed. These restricted and committed amounts in the Special Revenue and Capital Projects Funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Note 17 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Village of Payne
Paulding County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$66,483	\$125,778		\$192,261
Municipal Income Tax	354,814			354,814
Intergovernmental	41,681	237,210		278,891
Charges for Services		122,230		122,230
Fines, Licenses and Permits	1,993	270		2,263
Earnings on Investments	3,691	424		4,115
Miscellaneous	38,600	111,449		150,049
<i>Total Cash Receipts</i>	<u>507,262</u>	<u>597,361</u>		<u>1,104,623</u>
Cash Disbursements				
Current:				
Security of Persons and Property	35,833	272,827		308,660
Public Health Services	2,120			2,120
Leisure Time Activities	22,405	4,558		26,963
Basic Utility Services		5,482		5,482
Transportation		63,332	\$79,889	143,221
General Government	74,346	11,650		85,996
Capital Outlay	7,449	140,528	71,928	219,905
Debt Service:				
Principal Retirement		12,481		12,481
Interest and Fiscal Charges		489		489
<i>Total Cash Disbursements</i>	<u>142,153</u>	<u>511,347</u>	<u>151,817</u>	<u>805,317</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>365,109</u>	<u>86,014</u>	<u>(151,817)</u>	<u>299,306</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			4,000	4,000
Transfers In		58,000	237,302	295,302
Transfers Out	(295,302)			(295,302)
Advances In		13,238		13,238
Advances Out		(13,238)		(13,238)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(295,302)</u>	<u>58,000</u>	<u>241,302</u>	<u>4,000</u>
<i>Net Change in Fund Cash Balances</i>	69,807	144,014	89,485	303,306
<i>Fund Cash Balances, January 1</i>	<u>116,365</u>	<u>472,106</u>	<u>150,608</u>	<u>739,079</u>
<i>Fund Cash Balances, December 31</i>	<u>\$186,172</u>	<u>\$616,120</u>	<u>\$240,093</u>	<u>\$1,042,385</u>

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

Village of Payne
Paulding County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$399,065
Miscellaneous	21,079
<i>Total Operating Cash Receipts</i>	420,144
Operating Cash Disbursements	
Personal Services	68,991
Fringe Benefits	20,545
Contractual Services	139,661
Supplies and Materials	150,789
Other	3,128
<i>Total Operating Cash Disbursements</i>	383,114
<i>Operating Income</i>	37,030
Non-Operating Receipts (Disbursements)	
Intergovernmental	35,000
Miscellaneous Receipts	2,714
Capital Outlay	(53,374)
Principal Retirement	(15,546)
<i>Total Non-Operating Receipts (Disbursements)</i>	(31,206)
<i>Income Before Advances</i>	5,824
Advances In	20,000
Advances Out	(20,000)
<i>Net Change in Fund Cash Balances</i>	5,824
<i>Fund Cash Balances, January 1</i>	333,989
<i>Fund Cash Balances, December 31</i>	\$339,813

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

Village of Payne
Paulding County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Custodial
Additions	
Fines, Licenses and Permits for Distribution	\$1,900
Other Amounts Collected for Distribution	6,000
	6,000
<i>Total Additions</i>	<i>7,900</i>
Deductions	
Distributions to Other Governments	702
Distributions to Other Funds (Primary Government)	1,468
Other Distributions	6,000
	6,000
<i>Total Deductions</i>	<i>8,170</i>
<i>Net Change in Fund Cash Balances</i>	<i>(270)</i>
<i>Fund Cash Balances, January 1</i>	<i>470</i>
<i>Fund Cash Balances, December 31</i>	<i>\$200</i>

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

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village of roads, park operations, police services, emergency medical services, and fire services. The Village contracts with Real Waste Disposal to provide garbage and bulk waste removal services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization, the Regional Income Tax Agency (RITA), and a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Notes 6 and 12 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) for the fiduciary fund type which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Emergency Medical Service Fund This fund receives revenue from property taxes to provide emergency medical services 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.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Improvements Fund This fund receives transfers from the General Fund to finance Village improvement projects and equipment purchases. The source of the monies for the transfers is the Village's income tax collections.

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

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Water Operating Fund This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's Custodial Funds account for Mayor's Court activity and fire damage of structures and repairs or removal of structures.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

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

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

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

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$426,525	\$507,262	\$80,737
Special Revenue	587,120	655,361	68,241
Capital Projects	190,000	241,302	51,302
Enterprise	441,366	457,858	16,492
Total	\$1,645,011	\$1,861,783	\$216,772

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$478,004	\$438,313	\$39,691
Special Revenue	632,852	515,659	117,193
Capital Projects	181,580	151,817	29,763
Enterprise	575,057	453,066	121,991
Total	\$1,867,493	\$1,558,855	\$308,638

The Special Revenue Fund actual receipts and disbursements will be lower on the budgetary statement in the amount of \$13,238, and Enterprise Fund actual receipts and disbursements will be lower on the budgetary statement in the amount of \$20,000 due to advances not being budgeted by the Village.

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

	2020
Demand deposits	\$724,210
Other time deposits	658,188
Total deposits	\$1,382,398

The Village has a separate payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll. The balance in the Village's payroll clearing account represents a minimum \$450 balance plus any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. 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.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30 percent for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100 percent of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30 percent to 33 percent, while the casualty treaty remains unchanged and still assumes 100 percent of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33 percent to 55 percent, while the casualty treaty remains unchanged and still assumes 100 percent of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

The Village's full-time Police Officer belongs to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Social Security

Some of the Village's employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans which include medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2020 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$155,463	0.00%

The Village constructed a new sewer facility for a total cost of \$1,320,685 that was completed in 2011. The Village was awarded with American Recovery and Reinvestment Act Funds (ARRA) debt principal forgiveness funds in the amount of \$906,675. The remainder of the project was financed through a zero percent interest loan through the Ohio Water Development Authority's Water Pollution Control Loan Fund in the amount of \$312,270.

Amortization

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

Year Ending December 31:	OWDA Loan
2021	\$7,773
2022	15,546
2023	15,546
2024	15,546
2025	15,546
2026-2029	62,185
2030	23,321
Total	\$155,463

Note 10 – Miscellaneous Revenue

Miscellaneous receipts in the General and Special Revenue Funds primarily consisted of cell phone tower lease payments and Bureau of Workers Compensation refunds.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 11 – Interfund Transfers

During 2020, the following transfers were made:

Fund	Transfer In
Transfers From General Fund To:	
Special Revenue Fund:	
Emergency Medical Service Fund	\$40,000
Police Fund	18,000
Capital Projects Fund:	
Capital Improvements Fund	237,302
	\$295,302

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Note 12 – Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2020, the Village paid RITA \$8,841 for income tax collection services.

Note 13 – Fund Balances

Included in fund balance are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$858	\$4,312	\$5,170

The fund balance of Special Revenue and Capital Project Funds is either restricted or committed. These restricted and committed amounts in the Special Revenue and Capital Projects Funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Village of Payne
Paulding County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. These amounts are reflected as security of persons and property, leisure time, basic utility services, transportation, general government, and capital outlay expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 15 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

The implementation of GASB Statement No. 84 did not have an effect on the fund balance of the governmental and proprietary funds as previously reported. Due to the implementation of GASB Statement No. 84, the new classification of Custodial Funds is reporting a beginning fund balance of \$470.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements of the Village of Payne, Paulding County, Ohio (the Village) and have issued our report thereon dated December 21, 2022 wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(D) permit. We also noted the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 21, 2022

VILLAGE OF PAYNE
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified in the accompanying financial statements and notes to the financial statements:

- In 2021, intergovernmental receipts and transfers out were overstated in the Nature Works Fund in the amount of \$35,056.
- In 2021, intergovernmental receipts was understated and transfers in was overstated in the Capital Improvements Fund in the amount of \$35,056.
- In 2021, municipal income tax was overstated and transfers in was understated in the Capital Improvements Fund in the amount of \$3,744.
- In 2020, budgeted receipts in the budgetary activity note to the financial statements did not agree to amounts certified by the County Budget Commission. Budgeted receipts were overstated in the Special Revenue Fund in the amount of \$32,850.
- In 2020, appropriation authority in the budgetary activity note to the financial statements did not agree to amounts approved by Village Council. Appropriation authority was overstated in the Special Revenue Fund in the amount of \$117,103.
- In 2020, other distributions were incorrectly classified as distributions to other governments in the Other Custodial Fund in the amount of \$6,000.
- In 2021 and 2020, fines, licenses and permits for distribution were incorrectly classified as other amounts collected for distribution in the Court Fines Fund in the amounts of \$782 and \$1,900, respectively.
- In 2021 and 2020, distributions to other funds (primary government) were incorrectly classified as distributions to other governments in the Court Fines Fund in the amounts of \$322 and \$1,468, respectively.
- In 2021, outstanding encumbrances in the Fund Balances note to the financial statements were understated in the Capital Projects Fund in the amount of \$266,000.

These errors were the result of inadequate policies and procedures in reviewing the financial statements and notes to the financial statements. Failure to complete accurate financial statements and notes to the financial statements could lead to Village Council making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other immaterial errors ranging from \$16 and \$7,449. In addition to the adjustments noted above, we also identified additional insignificant misstatements ranging from \$1,181 to \$12,436 that we have brought to the Village's attention.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and the finance committee, to help identify and correct errors and omissions.

Officials' Response:

The Village attempted to follow the advice after the last audit to post receipts and fund balances correctly. The Village will use the current audit to get clarity on how to correctly post transactions and fund balances.

Village of Payne

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	This finding was first reported in 2012. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2021-001 in this report.	The Village attempted to follow the advice after the last audit to post receipts and fund balances correctly. The Village will use the current audit to get clarity on how to correctly post transactions and fund balances.
2019-002	This finding was first reported in 2014. Material weakness on the accuracy of utility revenues in the utility system.	Corrective action taken and finding is fully corrected.	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF PAYNE

PAULDING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/3/2023

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This report is a matter of public record and is available online at
www.ohioauditor.gov