



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF PAYNE  
PAULDING COUNTY  
DECEMBER 31, 2019 AND 2018**

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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  
Payne, Ohio 45880-0058

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Payne, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using 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), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinions on this accounting basis is in the *Additional Opinion Qualification* and *Unmodified Opinions* paragraphs below.

***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* paragraph, the financial statements referred to above 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, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Opinion Qualification***

Charges for services receipts are reported at \$378,350 for the year ended December 31, 2018 which is 99 percent of total Enterprise Fund operating receipts for the year ended December 31, 2018. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements, as it relates to the Enterprise Fund referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Payne, Paulding County, Ohio as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Payne, Paulding County, Ohio for the General, Special Revenue, and Fiduciary Funds as of December 31, 2019 and 2018 and for the Enterprise and Capital Projects Funds as of December 31, 2019, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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

October 12, 2020

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**VILLAGE OF PAYNE  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$66,280	\$125,698		\$191,978
Municipal Income Tax	283,240			283,240
Intergovernmental	40,936	133,296		174,232
Charges for Services		135,580		135,580
Fines, Licenses and Permits	1,516	230		1,746
Earnings on Investments	13,018	1,977		14,995
Miscellaneous	12,100	6,068		18,168
<i>Total Cash Receipts</i>	<u>417,090</u>	<u>402,849</u>		<u>819,939</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	23,457	266,136		289,593
Public Health Services	2,450			2,450
Leisure Time Activities	11,331	7,762		19,093
Transportation		126,470	\$36,547	163,017
General Government	81,658			81,658
Capital Outlay	59,248	86,216	313	145,777
Debt Service:				
Principal Retirement		12,011		12,011
Interest and Fiscal Charges		958		958
<i>Total Cash Disbursements</i>	<u>178,144</u>	<u>499,553</u>	<u>36,860</u>	<u>714,557</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>238,946</u>	<u>(96,704)</u>	<u>(36,860)</u>	<u>105,382</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets			876	876
Transfer In		83,000	186,592	269,592
Transfers Out	(271,092)			(271,092)
Advance In		18,524		18,524
Advance Out		(18,524)		(18,524)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(271,092)</u>	<u>83,000</u>	<u>187,468</u>	<u>(624)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(32,146)</u>	<u>(13,704)</u>	<u>150,608</u>	<u>104,758</u>
<i>Fund Cash Balances, January 1</i>	<u>148,511</u>	<u>485,810</u>		<u>634,321</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		472,106	876	472,982
Committed			149,732	149,732
Unassigned	116,365			116,365
<i>Fund Cash Balances, December 31</i>	<u>\$116,365</u>	<u>\$472,106</u>	<u>\$150,608</u>	<u>\$739,079</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 (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$395,863		\$395,863
Miscellaneous Revenue	68		68
<i>Total Operating Cash Receipts</i>	<u>395,931</u>		<u>395,931</u>
<b>Operating Cash Disbursements</b>			
Personal Services	62,813		62,813
Fringe Benefits	19,873		19,873
Contractual Services	128,699		128,699
Supplies and Materials	125,200		125,200
Other	5,450		5,450
<i>Total Operating Cash Disbursements</i>	<u>342,035</u>		<u>342,035</u>
<i>Operating Income</i>	<u>53,896</u>		<u>53,896</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	551		551
Capital Outlay	(2,863)		(2,863)
Principal Retirement	(15,546)		(15,546)
Other Financing Sources		\$1,390	1,390
Other Financing Uses		(1,450)	(1,450)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(17,858)</u>	<u>(60)</u>	<u>(17,918)</u>
<i>Income (Loss) before Transfers</i>	36,038	(60)	35,978
Transfers In	1,500		1,500
<i>Net Change in Fund Cash Balances</i>	37,538	(60)	37,478
<i>Fund Cash Balances, January 1</i>	<u>296,451</u>	<u>530</u>	<u>296,981</u>
<i>Fund Cash Balances, December 31</i>	<u>\$333,989</u>	<u>\$470</u>	<u>\$334,459</u>

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

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The Village of Payne, Paulding County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police and emergency medical services. The Village appropriates fire levy money to support a volunteer fire department. The Village contracts with Real Waste Disposal to provide garbage and bulk waste removal.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 6 to the financial statements provides additional information for this entity. 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 all proprietary and fiduciary fund types which are 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.

***Fire Equipment and Maintenance Fund*** This fund receives revenue from property taxes to provide fire protection services to residents of the Village. Charges for series 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:

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**Capital Improvements Fund** This fund receives transfers from the General Fund to finance Village improvement projects and equipment purchases.

**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 receives revenue from providing water treatment and distribution services to the residents and commercial users within the Village.

**Sewer Operating Fund** This fund receives revenue from providing sanitary sewer services to the residents and commercial users within the Village.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency 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 disburses these funds as directed by the individual, organization or other government. The Village's Agency 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 agency 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 2019 budgetary activity appears in Note 3.

**Village of Payne, Ohio**  
Paulding County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

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**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.

**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*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$163,387	\$417,090	\$253,703
Special Revenue	509,705	504,373	(5,332)
Capital Projects	128,000	187,468	59,468
Enterprise	420,100	397,982	(22,118)
Total	\$1,221,192	\$1,506,913	\$285,721

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,032	\$453,327	(\$212,295)
Special Revenue	803,915	586,577	217,338
Capital Projects	50,000	36,860	13,140
Enterprise	560,397	380,154	180,243
Total	\$1,655,344	\$1,456,918	\$198,426

**Note 4 – Deposits**

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

	2019
Demand deposits	\$419,160
Other time deposits	654,378
Total deposits	\$1,073,538

**Deposits**

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

**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.

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**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**

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% of the premium and losses on the first \$250,000 casualty treaty and 30% 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% 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. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% 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% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>( 11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://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.

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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, 2019.

**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, 2019.

**Social Security**

Several of the Village's employees and officials 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, 2019.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. 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, 2019 was as follows:

	Principal	Interest Rate
Police Cruiser Loan	\$6,057	3.95%
Ford F-350 and Snow Plow Loan	6,424	3.89%
Ohio Water Development Authority Loan	171,009	0.00%
Total	\$183,490	

In 2015, the Village entered into a five-year governmental obligation contract with Republic First National Corporation for a 2015 Ford Explorer Police Cruiser. This contract will be paid for from the Police Fund which is supplemented by transfers from the General Fund. The loan was originally for \$28,065, with an interest rate of 3.95%, and will be paid off in January of 2020.



**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

In 2015, the Village entered into a five-year governmental obligation contract with Republic First National Corporation for a 2015 Ford F-350 Truck with a Snow Plow. This contract will be paid for from the Street Fund, which is funded primarily by gas and motor vehicle license fees. The loan was originally for \$29,806, with an interest rate of 3.89%, and will be paid off in September of 2020.

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	OWDA Loan	Police Cruiser Loan	Ford F-350 Loan
2020	\$7,773	\$6,296	\$6,674
2021	15,546		
2022	15,546		
2023	15,546		
2024	15,546		
2025-2029	77,732		
2030	23,320		
Totals	\$171,009	\$6,296	\$6,674

**Note 10 – Interfund Transfers**

During 2019, the following transfers were made:

Fund	Transfer In
Transfer From General Fund To:	
Special Revenue Funds:	
Police Fund	\$50,000
Nature Works Fund	33,000
Total Special Revenue Funds	83,000
Capital Projects Fund:	
Capital Improvements Fund	186,592
Enterprise Fund:	
Refuse Collection	1,500
	\$271,092

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.

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**Note 11 – Contingent Liabilities**

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 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 any 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 (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$64,174	\$119,151	\$183,325
Municipal Income Tax	22,924		22,924
Intergovernmental	39,280	132,680	171,960
Charges for Services		106,212	106,212
Fines, Licenses and Permits	1,246	205	1,451
Earnings on Investments	8,127	1,482	9,609
Miscellaneous	18,245	19,944	38,189
<i>Total Cash Receipts</i>	<u>153,996</u>	<u>379,674</u>	<u>533,670</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	23,736	276,972	300,708
Public Health Services	2,380		2,380
Leisure Time Activities	5,481	4,250	9,731
Transportation		48,558	48,558
General Government	75,571		75,571
Capital Outlay	2,215	13,637	15,852
Debt Service:			
Principal Retirement		11,559	11,559
Interest and Fiscal Charges		1,410	1,410
<i>Total Cash Disbursements</i>	<u>109,383</u>	<u>356,386</u>	<u>465,769</u>
<i>Excess of Receipts Over Disbursements</i>	<u>44,613</u>	<u>23,288</u>	<u>67,901</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfer In		47,924	47,924
Transfers Out	(47,924)		(47,924)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(47,924)</u>	<u>47,924</u>	
<i>Net Change in Fund Cash Balances</i>	(3,311)	71,212	67,901
<i>Fund Cash Balances, January 1</i>	<u>151,822</u>	<u>414,598</u>	<u>566,420</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		485,810	485,810
Assigned	77,645		77,645
Unassigned	70,866		70,866
<i>Fund Cash Balances, December 31</i>	<u>\$148,511</u>	<u>\$485,810</u>	<u>\$634,321</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 (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$378,350		\$378,350
Miscellaneous	46		46
<i>Total Operating Cash Receipts</i>	<u>378,396</u>		<u>378,396</u>
<b>Operating Cash Disbursements</b>			
Personal Services	69,532		69,532
Fringe Benefits	15,877		15,877
Contractual Services	109,877		109,877
Supplies and Materials	82,885		82,885
Other	23,917		23,917
<i>Total Operating Cash Disbursements</i>	<u>302,088</u>		<u>302,088</u>
<i>Operating Income</i>	<u>76,308</u>		<u>76,308</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	3,221		3,221
Capital Outlay	(38,141)		(38,141)
Principal Retirement	(15,546)		(15,546)
Other Financing Sources		\$1,705	1,705
Other Financing Uses		(1,405)	(1,405)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(50,466)</u>	<u>300</u>	<u>(50,166)</u>
<i>Net Change in Fund Cash Balances</i>	25,842	300	26,142
<i>Fund Cash Balances, January 1</i>	<u>270,609</u>	<u>230</u>	<u>270,839</u>
<i>Fund Cash Balances, December 31</i>	<u>\$296,451</u>	<u>\$530</u>	<u>\$296,981</u>

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

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The Village of Payne, Paulding County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police and emergency medical services. The Village appropriates fire levy money to support a volunteer fire department. The Village contracts with Real Waste Disposal to provide garbage and bulk waste removal.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 6 to the financial statements provides additional information for this entity. 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 all proprietary and fiduciary fund types which are 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.

***Fire Equipment and Maintenance Fund*** This fund receives revenue from property taxes to provide fire protection services to residents of the Village. Charges for series 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.

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**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 receives revenue from providing water treatment and distribution services to the residents and commercial users within the Village.

**Sewer Operating Fund** This fund receives revenue from providing sanitary sewer services to the residents and commercial users within the Village.

**Fiduciary Funds** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency 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 disburses these funds as directed by the individual, organization or other government. The Village's Agency 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 agency 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 2018 budgetary activity appears in Note 3.

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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***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.

***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*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***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.

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,743	\$153,996	\$43,253
Special Revenue	397,039	427,598	30,559
Enterprise	389,100	381,617	(7,483)
Total	\$896,882	\$963,211	\$66,329

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$166,051	\$161,249	\$4,802
Special Revenue	520,055	366,412	153,643
Enterprise	468,233	371,354	96,879
Total	\$1,154,339	\$899,015	\$255,324

**Note 4 – Deposits**

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

	2018
Demand deposits	\$390,672
Other time deposits	540,630
Total deposits	\$931,302

**Deposits**

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

**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



**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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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**

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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM's property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://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.

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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, 2018.

**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, 2018.

**Social Security**

Several of the Village's employees and officials 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, 2018.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Police Cruiser Loan	\$11,884	3.95%
Ford F-350 and Snow Plow Loan	12,608	3.89%
Ohio Water Development Authority Loan	186,555	0.00%
Total	\$211,047	

In 2015, the Village entered into a five-year governmental obligation contract with Republic First National Corporation for a 2015 Ford Explorer Police Cruiser. This contract will be paid for from the Police Fund which is supplemented by transfers from the General Fund. The loan was originally for \$28,065, with an interest rate of 3.95%, and will be paid off in January of 2020.

**Village of Payne, Ohio**  
*Paulding County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

In 2015, the Village entered into a five-year governmental obligation contract with Republic First National Corporation for a 2015 Ford F-350 Truck with a Snow Plow. This contract will be paid for from the Street Fund, which is funded primarily by gas and motor vehicle license fees. The loan was originally for \$29,806, with an interest rate of 3.89%, and will be paid off in September of 2020.

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	OWDA Loan	Police Cruiser Loan	Ford F-350 Loan
2019	\$7,773	\$6,296	\$6,674
2020	15,546	6,296	6,674
2021	15,546		
2022	15,546		
2023	15,546		
2024-2028	77,732		
2029-2033	38,866		
Totals	<u>\$186,555</u>	<u>\$12,592</u>	<u>\$13,348</u>

**Note 10 – Interfund Transfers**

During 2018, the Village transferred \$47,924 from the General Fund to the Police Fund.

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 11 – Contingent Liabilities**

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Miscellaneous Revenue**

Miscellaneous receipts in the General Fund primarily consisted of cell phone tower lease payments and payment in lieu of taxes. Miscellaneous receipts in the Special Revenue Fund primarily consisted of reimbursements and donations.

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# 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 and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Payne, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated October 12, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion due to the lack of appropriate audit evidence supporting the amount recorded as charges for services receipts in the Enterprise Fund for 2018. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

### ***Internal Control over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 to be material weaknesses.

***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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

October 12, 2020

VILLAGE OF PAYNE  
PAULDING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

**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. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were identified in the accompanying financial statements:

- In 2019, income tax revenue in the amounts of \$186,592 and \$50,000 were recorded within the Capital Improvement and Police Funds, respectively, as municipal income tax. The full amounts received should have been recorded within the General Fund. Amounts intended for capital improvement and police protection purposes should have been subsequently transferred out of the General Fund and into the Capital Improvement and Police Funds. The fees associated with income tax revenue collection were also adjusted to the General Fund.
- In 2018, income tax revenue in the amount of \$22,924 was recorded within the Police Fund as municipal income tax. The full amount received should have been recorded within the General Fund. The amount intended for police protection purposes should have been subsequently transferred out of the General Fund and into the Police Fund. The fees associated with income tax revenue collection were also adjusted to the General Fund.
- In 2019, Budgetary Expenditures in the Budgetary Activity note to the financial statements were understated in the Special Revenue and Enterprise Funds in the amounts of \$87,026 and \$19,710, respectively.
- In 2018, Appropriation Authority in the Budgetary Activity note to the financial statements did not agree to amounts approved by Village Council in the Enterprise Fund in the amount of \$20,426.
- Committed fund balance within the Capital Improvement Fund in the amount of \$149,732 was incorrectly classified as restricted in 2019.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Village Council making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

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 Village Council, to identify and correct errors and omissions. In addition, the Fiscal Officer should review Ohio Auditor of State Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

**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.

## FINDING NUMBER 2019-002

### Material Weakness – Utility Revenues

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities.

The Village provides water, sewer and refuse services to its residents. The utility department billed the residents, collected payments, and updated customer accounts utilizing a Disk Operating System (DOS) that was upgraded to a windows compatible version.

We noted the following deficiencies with the utility system and utility records on file:

- Inability to access accurate data in prior months or prior years to obtain sufficient support for all account balances, activity, and adjustments,
- Month end balances did not always roll over to the next month correctly (by customer or in total),
- Lack of an aged accounts receivable listing with totals,
- Lack of support and approval for noncash adjustments to customer accounts.

In addition, there was no evidence of any review performed by the Board of Public Affairs over the utility system produced reports.

These deficiencies were due to inadequate policies and procedures over utility revenues and resulted in the inability to provide sufficient documentation on customer account balances, activity, and adjustments in the amounts of \$13,924 and \$94,542 in 2019 and 2018, respectively. Consequently, we were unable to rely on the utility system reports, data, and amounts (in total or by customer) for 2018. As a result of these deficiencies, we qualified our opinion over Enterprise Fund charges for services revenues for 2018. Lack of maintaining (and retaining) accurate and complete records of utility account balances and activity may allow for accounting errors, theft and fraud to occur without timely detection.

We were able to rely on and test the utility system reports, data, and amounts (in total or by customer) for 2019, however, improvements still are needed to decrease the risk of theft/fraud over these Enterprise Fund charges for services revenue collections.

The Village should obtain and utilize utility software that can effectively and efficiently bill its customers, record collections, and monitor customer accounts. An aged accounts receivable listing is necessary to effectively monitor delinquent balances. In addition, the Board of Public Affairs should review the utility system reports and approve any noncash adjustments posted to customer accounts. Documentation of all reviews and approvals should be retained.

### Officials' Response:

The Board of Public Affairs is on schedule to convert to a new computer system in September and October 2020 to increase the accuracy of the utility revenues in the utility system.



# Village of Payne

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	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 2019-001 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.
2017-002	This finding was first reported in 2014. Material weakness on the accuracy of utility revenues in the utility system.	Not corrected and reissued as Finding 2019-002 in this report.	The Board of Public Affairs is working on correcting the prior audit comment and is on schedule to convert to a new computer system in September and October 2020 to increase the accuracy of the utility revenues in the utility system.
2017-003	This finding was first reported in 2016. Material weakness on posting of Mayor's Court activity.	Corrective action taken and finding is fully corrected.	
2017-004	This finding was first reported in 2016. Ohio Rev. Code § 2921.42(A)(1) for Council members not abstaining from voting on salary and/or payroll payments of family members.	Partially corrected and reissued in the Management Letter.	The Village Council attempted to follow the advice given after the last audit concerning family members. The Village Council will again be instructed to abstain from voting on salary and/or payroll payments of family members.

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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 11/5/2020**

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