



Dave Yost • Auditor of State

**VILLAGE OF PAYNE
PAULDING COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

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 Village of Payne, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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

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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, 2017 and 2016, 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 \$383,575 and \$375,576 for the years ended December 31, 2017 and 2016 respectively, which is 99 percent of total Enterprise Fund operating receipts for the year ended December 31, 2017, and 99 percent of total Enterprise Fund operating receipts for the year ended December 31, 2016. 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 Funds 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, 2017 and 2016, 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.

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 General, Special Revenue, Capital Projects, and Fiduciary Funds, of the Village of Payne, Paulding County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provision Ohio Revised Code Section 117.38 and Ohio Administrative Code Sections 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 29, 2018

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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, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$56,376	\$110,142		\$166,518
Intergovernmental	42,694	145,698	\$101,620	290,012
Charges for Services		80,390		80,390
Fines, Licenses and Permits	3,544	596		4,140
Earnings on Investments	922	91		1,013
Miscellaneous	22,763	36,498		59,261
<i>Total Cash Receipts</i>	<u>126,299</u>	<u>373,415</u>	<u>101,620</u>	<u>601,334</u>
Cash Disbursements				
Current:				
Security of Persons and Property	22,334	186,315		208,649
Public Health Services	1,760			1,760
Leisure Time Activities	12,188	10,105		22,293
Transportation		41,797		41,797
General Government	62,566			62,566
Capital Outlay	3,279	79,374	101,620	184,273
Debt Service:				
Principal Retirement		11,124		11,124
Interest and Fiscal Charges		1,846		1,846
<i>Total Cash Disbursements</i>	<u>102,127</u>	<u>330,561</u>	<u>\$101,620</u>	<u>534,308</u>
<i>Excess of Receipts Over Disbursements</i>	<u>24,172</u>	<u>42,854</u>		<u>67,026</u>
Other Financing Receipts (Disbursements)				
Transfers In		25,000		25,000
Transfers Out	(25,000)			(25,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(25,000)</u>	<u>25,000</u>		
<i>Net Change in Fund Cash Balances</i>	(828)	67,854		67,026
<i>Fund Cash Balances, January 1</i>	<u>152,650</u>	<u>346,744</u>		<u>499,394</u>
Fund Cash Balances, December 31				
Restricted		414,598		414,598
Assigned	54,551			54,551
Unassigned	97,271			97,271
<i>Fund Cash Balances, December 31</i>	<u>\$151,822</u>	<u>\$414,598</u>		<u>\$566,420</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, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$383,575		\$383,575
Miscellaneous	3,512		3,512
<i>Total Operating Cash Receipts</i>	<u>387,087</u>		<u>387,087</u>
Operating Cash Disbursements			
Personal Services	87,775		87,775
Fringe Benefits	16,657		16,657
Contractual Services	102,311		102,311
Supplies and Materials	63,932		63,932
Other	33,282		33,282
<i>Total Operating Cash Disbursements</i>	<u>303,957</u>		<u>303,957</u>
<i>Operating Income</i>	<u>83,130</u>		<u>83,130</u>
Non-Operating Receipts (Disbursements)			
Sale of Fixed Assets	200		200
Miscellaneous Receipts	1,168		1,168
Capital Outlay	(10,863)		(10,863)
Principal Retirement	(15,546)		(15,546)
Other Financing Sources	23	\$5,228	5,251
Other Financing Uses		(4,998)	(4,998)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(25,018)</u>	<u>230</u>	<u>(24,788)</u>
<i>Net Change in Fund Cash Balances</i>	58,112	230	58,342
<i>Fund Cash Balances, January 1</i>	<u>212,497</u>		<u>212,497</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$270,609</u></u>	<u><u>\$230</u></u>	<u><u>\$270,839</u></u>

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, 2017**

Note 1 – Reporting Entity

The Village of Payne (the Village), Paulding County, 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 the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 6 to the financial statements provide 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 Services (EMS) Levy 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 Levy Fund This fund receives revenue from property taxes to provide fire protection 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 Levy 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.

Capital Project Funds These funds accounts 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
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

FEMA Fund This fund receives federal grant monies for the fire department to purchase fire equipment.

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 located 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 hold resources for individuals, organizations or other governments. 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 2017 budgetary activity appears in Note 3.

VILLAGE OF PAYNE
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

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.

The Village values its certificates of deposit at cost.

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
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,012	\$126,299	\$14,287
Special Revenue	390,412	398,415	8,003
Capital Projects	101,620	101,620	
Enterprise	373,500	388,478	14,978
Total	\$977,544	\$1,014,812	\$37,268

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,040	\$127,878	\$61,162
Special Revenue	527,274	335,791	191,483
Capital Projects	101,620	101,620	
Enterprise	394,364	350,792	43,572
Total	\$1,212,298	\$916,081	\$296,217

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:

	2017
Demand deposits	\$305,434
Certificates of deposit	50,000
Other time deposits (savings and NOW accounts)	231,649
STAR Ohio Plus	250,176
Total deposits	\$837,259

Deposits

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

Note 5 – Taxes

Property Tax

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 homestead and rollback deductions. The financial statements include homestead and rollback 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
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</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

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 healthcare 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, 2017.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the 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 healthcare 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, 2017.

Social Security

Several Village employees and officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees and officials 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, 2017.

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 members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Police Cruiser	\$17,491	3.95%
Ford F-350 and Snow Plow	18,561	3.89%
Ohio Water Development Authority Loan	202,100	0.00%
Total	\$238,152	

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

In 2015, the Village entered into a five-year governmental obligation contract with Republic First National Corporation for a 2015 Ford F-350 Truck and Snow Plow. This contract will be paid for by 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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Amortization

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

Year	<u>OWDA Loan</u>	<u>Police Cruiser Loan</u>	<u>Ford F-350 Loan</u>
2018	\$7,773	\$6,296	\$6,674
2019	15,546	6,296	6,674
2020	15,546	6,296	6,674
2021	15,546		
2022	15,546		
2023-2027	77,731		
2028-2032	54,412		
Totals	<u>\$202,100</u>	<u>\$18,888</u>	<u>\$20,022</u>

Note 10 – Related Party Transactions

James Miller and William Childs, in their capacity as council members for the Village of Payne, did not properly abstain from voting on the annual salary ordinances for family members, Rodney Miller and Jarrod Childs, respectively, who were employed by the Village. Also, Mr. Miller approved payments totaling \$45,720 to his brother, Rodney Miller, and Mr. Childs approved payments totaling \$29,152 to his son, Jarrod Childs.

Note 11 – Subsequent Events

Village Council approved Ordinance 2018-05 levying a one percent income tax, effective September 1, 2018. Annually, the first \$50,000 collected will be allocated to the Police Fund. Of the remaining monies collected, 80 percent will be allocated to the Capital Improvement Fund, with the remaining 20 percent allocated to the General Fund.

Note 12 – Miscellaneous Revenue

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

Note 13 – Transfers

During 2017 the following transfer was made:

<u>Fund Type</u>	<u>Transfer From</u>	<u>Transfer To</u>
General	\$25,000	
Special Revenue Police Fund		\$25,000

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
PAULDING COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$65,482	\$113,996		\$179,478
Intergovernmental	37,067	82,177	\$26,068	145,312
Charges for Services		86,561		86,561
Fines, Licenses and Permits	8,256	1,436		9,692
Earnings on Investments	603	65		668
Miscellaneous	12,051	23,728		35,779
<i>Total Cash Receipts</i>	<u>123,459</u>	<u>307,963</u>	<u>26,068</u>	<u>457,490</u>
Cash Disbursements				
Current:				
Security of Persons and Property	24,516	209,778		234,294
Public Health Services	2,380			2,380
Leisure Time Activities	4,658			4,658
Transportation		58,729		58,729
General Government	71,911			71,911
Capital Outlay	2,100	15,897	26,068	44,065
Debt Service:				
Principal Retirement		10,696		10,696
Interest and Fiscal Charges		2,273		2,273
<i>Total Cash Disbursements</i>	<u>105,565</u>	<u>297,373</u>	<u>\$26,068</u>	<u>429,006</u>
<i>Excess of Receipts Over Disbursements</i>	<u>17,894</u>	<u>10,590</u>		<u>28,484</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	1,500			1,500
Transfers In		20,000		20,000
Transfers Out	(20,000)			(20,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(18,500)</u>	<u>20,000</u>		<u>1,500</u>
<i>Net Change in Fund Cash Balances</i>	(606)	30,590		29,984
<i>Fund Cash Balances, January 1</i>	<u>153,256</u>	<u>316,154</u>		<u>469,410</u>
Fund Cash Balances, December 31				
Restricted		346,744		346,744
Assigned	77,028			77,028
Unassigned	75,622			75,622
<i>Fund Cash Balances, December 31</i>	<u>\$152,650</u>	<u>\$346,744</u>		<u>\$499,394</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, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$375,576		\$375,576
Miscellaneous	1,430		1,430
<i>Total Operating Cash Receipts</i>	<u>377,006</u>		<u>377,006</u>
Operating Cash Disbursements			
Personal Services	87,477		87,477
Fringe Benefits	17,537		17,537
Contractual Services	103,289		103,289
Supplies and Materials	50,623		50,623
Other	30,540		30,540
<i>Total Operating Cash Disbursements</i>	<u>289,466</u>		<u>289,466</u>
<i>Operating Income</i>	<u>87,540</u>		<u>87,540</u>
Non-Operating Receipts (Disbursements)			
Sale of Fixed Assets	4,201		4,201
Miscellaneous Receipts	52		52
Capital Outlay	(13,902)		(13,902)
Principal Retirement	(15,546)		(15,546)
Other Financing Sources	9,138	\$12,088	21,226
Other Financing Uses		(\$12,088)	(12,088)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(16,057)</u>		<u>(16,057)</u>
<i>Net Change in Fund Cash Balances</i>	71,483		71,483
<i>Fund Cash Balances, January 1</i>	<u>141,014</u>		<u>141,014</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$212,497</u></u>		<u><u>\$212,497</u></u>

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, 2016**

Note 1 – Reporting Entity

The Village of Payne (the Village), Paulding County, 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 the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 6 to the financial statements provide 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 Services (EMS) Levy 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 Levy Fund This fund receives revenue from property taxes to provide fire protection 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 Levy 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.

Capital Project Funds These funds accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

FEMA Fund This fund receives federal grant monies for purchase of emergency medical equipment and training.

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 located 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 hold resources for individuals, organizations or other governments. 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 the end of the year are carried over, and need not to be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

VILLAGE OF PAYNE
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

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.

The Village values its certificate of deposit at cost.

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
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,402	\$124,959	\$15,557
Special Revenue	312,666	327,963	15,297
Capital Projects	127,706	26,068	(101,638)
Enterprise	351,700	390,397	38,697
Total	\$901,474	\$869,387	(\$32,087)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$243,800	\$125,565	\$118,235
Special Revenue	447,190	297,898	149,292
Capital Projects	127,706	26,068	101,638
Enterprise	401,907	319,439	82,468
Total	\$1,220,603	\$768,970	\$451,633

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:

	2016
Demand deposits	\$439,765
Certificates of deposit	50,000
Other time deposits (savings and NOW accounts)	222,126
Total deposits	\$711,891

Deposits

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

Note 5 – Taxes

Property Tax

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 homestead and rollback deductions. The financial statements include homestead and rollback 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
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</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

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 healthcare 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, 2016.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare 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 respectively. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village employees and officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees and officials 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, 2016.

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 members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$217,647	0%
Police Cruiser	22,885	3.95%
Ford F-350 and Snow Plow	24,291	3.89%
Total	<u>\$264,823</u>	

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

In 2015, the Village entered into a five-year governmental obligation contract with Republic First National Corporation for a 2015 Ford F-350 Truck and Snow Plow. This contract will be paid for by 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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Amortization

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

Year	<u>OWDA Loan</u>	<u>Police Cruiser Loan</u>	<u>Ford F-350 Loan</u>
2017	\$7,773	\$6,296	\$6,674
2018	15,546	6,296	6,674
2019	15,546	6,296	6,674
2020	15,546	6,296	6,674
2021	15,546		
2022-2026	77,731		
2027-2031	69,959		
Totals	<u>\$217,647</u>	<u>\$25,184</u>	<u>\$26,696</u>

Note 10 – Related Party Transactions

James Miller and William Childs, in their capacity as council members for the Village of Payne, did not properly abstain from voting on the annual salary ordinances for family members, Rodney Miller and Jarrod Childs, respectively, who were employed by the Village. Also, Mr. Miller approved payments totaling \$44,389 to his brother, Rodney Miller, and Mr. Childs approved payments totaling \$28,253 to his son, Jarrod Childs.

Note 11 – Subsequent Events

The Village has been approved for a \$101,620 FEMA grant through the Department of Homeland Security. The grant is part of the Assistance to Firefighters Grant Program. These monies are to be used for Self Contained Breathing Apparatus (SCBA) equipment. The grant period is July 2016 through July 2017. None of the grant monies had been received or spent as of December 31, 2016.

Note 12 – Miscellaneous Revenue

Miscellaneous revenue in the General Fund primarily consisted of donations, payments in lieu of taxes, and cell phone tower lease payments. Miscellaneous revenue in the Special Revenue Fund primarily consisted of insurance proceeds.

Note 13 – Transfers

During 2016 the following transfer was made:

<u>Fund Type</u>	<u>Transfer From</u>	<u>Transfer To</u>
General	\$20,000	
Special Revenue Police Fund		\$20,000

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



Dave Yost • Auditor of State

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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 29, 2018 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 also qualified our opinion due to the lack of appropriate audit evidence supporting the amounts recorded as charges for services receipts in the Enterprise Funds for 2017 and 2016.

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 a 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 2017-001 through 2017-003 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-004.

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.



Dave Yost
Auditor of State

Columbus, Ohio

November 29, 2018

VILLAGE OF PAYNE
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

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 2017 and 2016 financial statements and notes to the financial statements, as applicable:

- In 2017 and 2016, lease payments and donation revenue in the amounts of \$14,300 and \$9,900 respectively, were incorrectly classified as charges for services instead of miscellaneous revenue in the General Fund.
- General Fund outstanding encumbrances and subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned fund balance instead of assigned in 2017, in the amount of \$54,551.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. 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 statements and notes by the Fiscal Officer and the finance committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Village Handbook which contains a chart of accounts as well as Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

Officials' Response:

Upon being made aware that the amounts for rent, lease, and donation revenue belong in miscellaneous revenue, the Village corrected the current year receipts, and has a system in place to make sure all future receipts for these items will be placed in the correct account.

The Village is aware that the General Fund balance needs to be assessed to make sure the balance is correctly divided between assigned and unassigned amounts, and will be evaluating the balances and making the correct designations on future financial reports.

FINDING NUMBER 2017-002

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 accounts and periodically reconcile them to the accounting records

The Village provides water, sewer and refuse services to its residents. The utility department bills the residents, collects payments, and updates customer accounts utilizing a Disk Operating System (DOS) based utility accounting system that was upgraded to a windows compatible version in 2017. We noted the following deficiencies with the utility system records on file:

- Months not closed out correctly resulted in revenues showing up twice (in one month and then again in the next month);
- Month end balances did not roll over to the next month correctly (by customer or in total);
- Inability to access accurate data in prior months or prior years to investigate and correct system errors;
- Lack of an aged accounts receivable listing with totals;
- Multiple versions of receipt reports;
- Multiple versions of noncash adjustment reports.

These deficiencies were due to inadequate policies and procedures over Enterprise charges for services receipts and resulted in significant variances, during 2017 and 2016, between the utility system revenue totals and utility revenue totals posted to the Village's accounting system.

	Utility System	UAN system	Difference
2017	\$556,749	\$380,049	\$176,700
2016	\$474,808	\$373,851	\$100,957

There was no reconciliation of the DOS based utility system to the collections posted to the Uniform Accounting Network (UAN) system during 2017 and 2016. As a result, these differences were not detected by the Village. In addition, there was no evidence of any review performed by the Board of Public Affairs over the utility system produced reports.

We were able to reconcile the revenues posted to the UAN system to the revenues deposited in the utility bank account monthly using the reports on file with the Village. However, due to the significant differences between the utility system reports on file, multiple versions of reports and totals, and the inability to provide accurate collection, charge, and balance amounts for customer accounts, we were unable to rely on the utility system reports, data, and amounts (in total or by customer). As a result of these deficiencies, we qualified our opinion over these charges for services receipts.

The Village should obtain and utilize utility software that can effectively and efficiently bill its customers, record collections, and monitor customer accounts. The utility system collections should also be reconciled to the utility receipts posted to the UAN system monthly. In addition, the Board of Public affairs should review the utility system reports and approve any noncash adjustments posted to customer accounts.

Officials' Response:

The Village's Board of Public Affairs realizes that some information could not be brought up on the current utility system without the assistance of the installer. The Village will inquire with other villages for suggestions on effective utility billing systems. The Village will do its best to make necessary changes.

FINDING NUMBER 2017-003

Material Weakness

Mayor's Court

Governmental Accounting Standards Board (GASB) Cod 1300.102(c) provides that fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

The fines received are the property of the court and cannot be used to support the Village's own programs until they are distributed in accordance with Ohio Rev. Code § 733.40. As such, the activity should be reported in an Agency Fund to help ensure all court activity is properly accounted for and distributed to the appropriate agency.

In 2016, the Village Mayor's Court activity was recorded in the General Fund instead of a separate Agency Fund. This does not provide for correct presentation of the court activity. Also, combined with the lack of a separate Mayor's Court bank account, it allows for the Mayor's Court activity to be commingled with other revenues and expenditures which could be used to support the government's own programs. Furthermore, it does not allow for easy identification of any Mayor's Court fund balance at year end or at any given time.

These errors occurred due to deficiencies in policies and procedures over the Mayor's Court. Failing to record Mayor's court activity in a separate agency fund could result in those funds being used for unallowable purposes. The accompanying financial statements and accounting records were adjusted in 2016, including entries made to other financing sources and other financing uses in the Agency Fund in the amount of \$12,088. There was no ending or beginning fund balance for 2016.

In order to improve internal controls over Mayor's Court revenues, remittances, and remaining fund balance, the Village should:

- Post all Mayors Court revenues to an Agency Fund
- Remit the Village's portion of the fines collected to the appropriate Village fund from the Agency Fund
- Remit the State or County portion of fines collected to the appropriate government agency from the Agency Fund.

Officials' Response:

The Fiscal Officer has corrected this issue and it will not reoccur in the future.

FINDING NUMBER 2017-004

Noncompliance

Ohio Rev. Code § 2921.42(A)(1) provides that no public official shall knowingly authorize or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest. **Ohio Rev. Code § 2921.42(H)** provides that any public contract in which a public official, a member of the public official's family, or any of the public official's business associates has an interest in violation of this section is void and unenforceable.

In 2017 and 2016, James Miller and William Childs, in their capacity as council members for the Village of Payne, did not properly abstain from voting on the annual salary ordinances for family members, Rodney Miller and Jarrod Childs, respectively, who were employed by the Village. Additionally, due to deficiencies in the Village's policies and procedures for approving payments, Mr. Miller approved payments totaling \$45,720 and \$44,389 to his brother, Rodney Miller, as a Village employee in 2017 and 2016, respectively. Also, Mr. Childs approved payments totaling \$29,152 and \$28,253 to his son Jarrod Childs, as a Village employee in 2017 and 2016, respectively.

Members of the Village Council should abstain from voting when approving the annual salary ordinance and/or payroll payments related to members of their families.

This matter will be referred to the Ohio Ethics Commission for their consideration.

Officials' Response:

The Village officials are aware of this issue and will take action to assure it does not happen in the future.

Village of Payne

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	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 2017-001 in this report.	The client declined to offer an explanation why the finding reoccurred. However, an effort was made to correct prior audit posting errors once aware of the errors.
2015-002	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 2017-002 in this report.	The client declined to offer an explanation why the finding reoccurred. However, the Village has a better understanding of the posting issues and will be working to get the issues fixed in the accounting system for the future postings.
2015-003	This finding was first reported in 2014. Material weakness on the bond schedule for Mayor's Court fines and fees.	Partially corrected. Reissued in the Management Letter.	The client declined to offer an explanation why the finding reoccurred. However, an effort was made to charge the correct fees once aware of the errors.

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Dave Yost • Auditor of State

VILLAGE OF PAYNE

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 13, 2018