



Dave Yost • Auditor of State



VILLAGE OF PAYNE  
PAULDING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2015 .....	6
Notes to the Financial Statements – December 31, 2015 .....	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2014 .....	15
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2014 ...	16
Notes to the Financial Statements – December 31, 2014 .....	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25
Schedule of Findings .....	27
Summary Schedule of Prior Audit Findings .....	31

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of 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, 2015 and 2014.

### ***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 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 adverse and qualified audit opinions.

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

As described in Note 1 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 opinion on this accounting basis is in the *Additional Opinion Qualification* paragraph 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, 2015 and 2014, or 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 \$357,542, and \$351,554 for the years ended December 31, 2015 and 2014, respectively, which is 98 percent of total Enterprise Fund operating receipts for the year ended December 31, 2015, and 99 percent of total Enterprise Fund operating receipts for the year ended December 31, 2014. 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 referred to above present fairly, in all material respects, the combined cash balances of the Village of Payne, Paulding County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, 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

December 15, 2016

**This page intentionally left blank.**



**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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$56,071	\$108,482		\$164,553
Intergovernmental	44,760	110,672	\$20,500	175,932
Charges for Services		161,674		161,674
Fines, Licenses and Permits	2,946	375		3,321
Earnings on Investments	371	38		409
Miscellaneous	19,636	5,375		25,011
<i>Total Cash Receipts</i>	<u>123,784</u>	<u>386,616</u>	<u>20,500</u>	<u>530,900</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	44,389	223,903		268,292
Public Health Services	2,380			2,380
Leisure Time Activities	4,428			4,428
Transportation		73,084		73,084
General Government	69,697		20,500	90,197
Capital Outlay	3,900	233,257		237,157
<i>Total Cash Disbursements</i>	<u>124,794</u>	<u>530,244</u>	<u>\$20,500</u>	<u>675,538</u>
<i>Excess of Disbursements over Receipts</i>	<u>(1,010)</u>	<u>(143,628)</u>		<u>(144,638)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Debt Proceeds		57,871		57,871
Sale of Capital Assets		11,301		11,301
Transfers In		22,000		22,000
Transfers Out	(22,000)			(22,000)
Other Financing Uses		(6,563)		(6,563)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(22,000)</u>	<u>84,609</u>		<u>62,609</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,010)</u>	<u>(59,019)</u>		<u>(82,029)</u>
<i>Fund Cash Balances, January 1</i>	<u>176,266</u>	<u>375,173</u>		<u>551,439</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		316,154		316,154
Assigned	134,398			134,398
Unassigned	18,858			18,858
<i>Fund Cash Balances, December 31</i>	<u>\$153,256</u>	<u>\$316,154</u>		<u>\$469,410</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, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$357,542		\$357,542
Miscellaneous	5,144		5,144
<i>Total Operating Cash Receipts</i>	<u>362,686</u>		<u>362,686</u>
<b>Operating Cash Disbursements</b>			
Personal Services	83,486		83,486
Fringe Benefits	16,959		16,959
Contractual Services	98,406		98,406
Supplies and Materials	52,929		52,929
Other	26,551		26,551
<i>Total Operating Cash Disbursements</i>	<u>278,331</u>		<u>278,331</u>
<i>Operating Income</i>	<u>84,355</u>		<u>84,355</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(31,929)		(31,929)
Principal Retirement	(22,225)		(22,225)
Interest and Other Fiscal Charges	(227)		(227)
Other Financing Sources		\$3,552	3,552
Other Financing Uses		(3,597)	(3,597)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(54,381)</u>	<u>(45)</u>	<u>(54,426)</u>
<i>Net Change in Fund Cash Balances</i>	29,974	(45)	29,929
<i>Fund Cash Balances, January 1</i>	<u>111,040</u>	<u>\$45</u>	<u>111,085</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$141,014</u></u>		<u><u>\$141,014</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  
DECEMBER 31, 2015**

**1. Summary of Significant Accounting Policies**

**A. Description of the Village**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Payne, Paulding County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police, fire and emergency medical services.

The Village participates in the Ohio Plan Risk Management, Inc, a public Village risk pool. Note 7 to the financial statements provides additional information for this Village.

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

**B. Accounting Basis**

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.

**C. 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.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. 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:

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**1. Summary of Significant Accounting Policies – (Continued)**

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

Police 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.

**3. 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:

Community Development Block Grant Fund – This fund receives grant monies through Paulding County for the construction of federal compliant restrooms in the Village's office building.

**4. 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 Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Refuse Fund - This fund receives charges for services from residents to cover the cost of providing this service.

**5. 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.

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)

1. **Summary of Significant Accounting Policies – (Continued)**

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.

**E. Budgetary Process**

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

**1. 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances are canceled at year end, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**2. 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.

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)

1. Summary of Significant Accounting Policies – (Continued)

3. 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.

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

H. 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.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**2. Equity in Pooled 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:

	2015
Demand deposits	\$560,424
Certificates of Deposit	50,000
Total Deposits	\$610,424

At December 31, 2015, the Village had \$150 in cash on hand which is included as part of demanded deposits.

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public Village deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$216,382	\$123,784	(\$92,598)
Special Revenue	420,861	477,788	56,927
Capital Projects	46,586	20,500	(26,086)
Enterprise	351,700	362,686	10,986
Total	\$1,035,529	\$984,758	(\$50,771)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$387,982	\$146,794	\$241,188
Special Revenue	582,840	536,807	46,033
Capital Projects	46,586	20,500	26,086
Enterprise	401,976	332,712	69,264
Total	\$1,419,384	\$1,036,813	\$382,571

**4. 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  
DECEMBER 31, 2015  
(Continued)**

**4. Property Tax – (Continued)**

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

**5. Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$233,194	0%
Police Cruiser	28,065	3.95%
Ford F-350 & Snow Plow	29,806	3.89%
Total	\$291,065	

In 2007, the Village obtained a \$20,000 loan from WSOS Community Action Commission, Inc. for the purchase of 17.2468 acres to be used for the construction of a sewer retention pond required by an Ohio Environmental Protection agency mandate. This ten year loan was paid off in December of 2015.

The Village constructed a new sewer facility for a total cost of \$1,320,685 which 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.

In 2015, the Village has entered into a 5 year governmental obligation contract with Republic First National Corporation for a 2015 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 money.

In 2015, the Village entered into a 5 year governmental obligation contract with Republic First National Corporation for a 2015 Ford F-250 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.

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

Year ending December 31:	Police Cruiser Loan	Ford F-350 Loan	OWDA Loan
2016	\$6,296	\$6,674	\$15,546
2017	6,296	6,674	15,546
2018	6,296	6,674	15,546
2019	6,296	6,674	15,546
2020	6,296	6,674	15,546
2021-2025			77,732
2026-2030			77,732
Total	\$31,480	\$33,370	\$233,194



**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**6. Retirement Systems**

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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. For 2015, OP&F participants contributed 12.25% of their wages. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Effective July 1, 1991, all employees and officials not otherwise covered by OP&F or OPERS have an option to choose Social Security. The contribution rate is 6.2 percent of wages.

**7. Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to 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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**7. Risk Management – (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	<b>2015</b>	<b>2014</b>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

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

**8. Transfers**

Fund Type	Transfer From	Transfer To
General	\$22,000	
Special Revenue Police Fund		\$22,000

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.

**9. Miscellaneous Receipts**

Miscellaneous receipts in the General Fund in 2015 primarily consisted of donations, cell phone tower rent, and park rent.

**10. Subsequent Event**

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 with the Village's required contribution amount at \$5,080. These monies are to be used for Self Contained Breathing Apparatus (SCBA) equipment. The grant period is July 2016 through July 2017.

**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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$55,024	\$105,019	\$160,043
Intergovernmental	50,383	86,659	137,042
Charges for Services		83,740	83,740
Fines, Licenses and Permits	3,339	237	3,576
Earnings on Investments	410	50	460
Miscellaneous	18,504	6,084	24,588
<i>Total Cash Receipts</i>	<u>127,660</u>	<u>281,789</u>	<u>409,449</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property		193,903	193,903
Public Health Services	2,380		2,380
Leisure Time Activities	2,325		2,325
Transportation		58,972	58,972
General Government	83,172		83,172
Capital Outlay	27,791	1,395	29,186
<i>Total Cash Disbursements</i>	<u>115,668</u>	<u>254,270</u>	<u>369,938</u>
<i>Excess of Receipts Over Disbursements</i>	<u>11,992</u>	<u>27,519</u>	<u>39,511</u>
<b>Other Financing Receipts (Disbursements)</b>			
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>	(13,008)	52,519	39,511
<i>Fund Cash Balances, January 1</i>	<u>189,274</u>	<u>322,654</u>	<u>511,928</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		375,173	375,173
Assigned	172,191		172,191
Unassigned	4,075		4,075
<i>Fund Cash Balances, December 31</i>	<u>\$176,266</u>	<u>\$375,173</u>	<u>\$551,439</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, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$351,554		\$351,554
Miscellaneous	3,915		3,915
<i>Total Operating Cash Receipts</i>	<u>355,469</u>		<u>355,469</u>
<b>Operating Cash Disbursements</b>			
Personal Services	73,173		73,173
Fringe Benefits	22,013		22,013
Contractual Services	104,879		104,879
Supplies and Materials	67,250		67,250
Other	31,158		31,158
<i>Total Operating Cash Disbursements</i>	<u>298,473</u>		<u>298,473</u>
<i>Operating Income</i>	<u>56,996</u>		<u>56,996</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(986)		(986)
Principal Retirement	(17,663)		(17,663)
Interest and Other Fiscal Charges	(313)		(313)
Other Financing Sources		\$3,305	3,305
Other Financing Uses		(3,260)	(3,260)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(18,962)</u>	<u>45</u>	<u>(18,917)</u>
<i>Net Change in Fund Cash Balances</i>	38,034	45	38,079
<i>Fund Cash Balances, January 1</i>	<u>73,006</u>		<u>73,006</u>
<i>Fund Cash Balances, December 31</i>	<u>\$111,040</u>	<u>\$45</u>	<u>\$111,085</u>

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**1. Summary of Significant Accounting Policies**

**A. Description of the Village**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Payne, Paulding County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police, fire and emergency medical services.

The Village participates in the Ohio Plan Risk Management, Inc, a public Village risk pool. Note 7 to the financial statements provides additional information for this Village.

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

**B. Accounting Basis**

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.

**C. 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.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. 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:

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**1. Summary of Significant Accounting Policies – (Continued)**

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

Police 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.

**3. 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 Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Refuse Fund - This fund receives charges for services from residents to cover the cost of providing this service.

**4. 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.

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)

1. Summary of Significant Accounting Policies – (Continued)

E. Budgetary Process

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

1. 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.

2. 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.

3. Encumbrances

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

A summary of 2014 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

VILLAGE OF PAYNE  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)

1. Summary of Significant Accounting Policies – (Continued)

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

H. 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.

2. Equity in Pooled 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:

	2014
Demand deposits	<u>\$612,524</u>
Certificates of Deposit	<u>50,000</u>
Total Deposits	<u><u>\$662,524</u></u>

At December 31, 2014, the Village had \$150 in cash on hand which is included as part of demanded deposits.

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public Village deposit pool.



**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,019	\$127,660	(\$17,359)
Special Revenue	324,913	306,789	(18,124)
Capital Projects	20,500		(20,500)
Enterprise	348,000	355,469	7,469
Total	\$838,432	\$789,918	(\$48,514)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$268,525	\$141,259	\$127,266
Special Revenue	363,538	256,513	107,025
Capital Projects	20,500		20,500
Enterprise	372,607	320,355	52,252
Total	\$1,025,170	\$718,127	\$307,043

**4. 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.

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

**5. Debt**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$248,740	0%
WPFLC Loan for CSO Interseparator - Retention	6,679	4%
Total	\$255,419	

In 2007, the Village obtained a \$20,000 loan from SOS Community Action Commission, Inc. for the purchase of 17.2468 acres to be used for the construction of a sewer retention pond required by an Ohio Environmental Protection Agency mandate. This ten year loan can be paid off prior to maturity. The loan is repaid from the Village's Sewer Fund, which is primarily funded by user fees.

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**5. Debt- (Continued)**

The note is a fixed interest rate of 4%.

The Village constructed a new sewer facility for the total cost of \$1,320,685 which 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 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 of the above debt, including interest, is scheduled as follows:

Year ending December 31:	WSOS	
	Community Action	OWDA Loan
2015	\$2,430	\$15,546
2016	2,430	15,546
2017	2,227	15,546
2018		15,546
2019		15,546
2020-2024		77,732
2025-2029		77,732
2030-2031		15,546
Total	\$7,087	\$248,740

**6. Retirement Systems**

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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. For 2014, OP&F participants contributed 11.5% of their wages. For 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

Effective July 1, 1991, all employees and officials not otherwise covered by OP&F or OPERS have an option to choose Social Security. The contribution rate is 6.2 percent of wages.

**7. Risk Management**

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

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

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**7. Risk Management – (Continued)**

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, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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, 2013 and 2014.

	<b>2013</b>	<b>2014</b>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members’ Equity	\$5,805,909	\$5,887,681

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

**8. Transfers**

Fund Type	Transfer From	Transfer To
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.

**9. Miscellaneous Receipts**

Miscellaneous receipts in the General Fund in 2014 primarily consisted of insurance proceeds, donations, and cell phone tower rent.

**This page intentionally left blank**



# 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  
131 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, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2016, 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 on Enterprise Charges for Services receipts in 2015 and 2014, because of the lack of utility system reports to support the financial statement totals.

### ***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 2015-001 through 2015-003 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 15, 2016

**VILLAGE OF PAYNE  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2015-001**

**Material Weakness - Financial Reporting**

Accurate financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The Village lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- In 2015, the Village incorrectly posted the reclassification of the Street Light Fund balance from the Special Revenue Funds to the General Fund on the Village's accounting system, which resulted in an overstatement of transfers-out and beginning balance in the Special Revenues Funds, an overstatement of transfers-in in the General Fund, and an understatement of General Fund beginning balance.
- In 2015, on-behalf activity of a \$28,065 loan for a police car was not posted by the Village in the Special Revenue Police Fund resulting in the understatement of debt proceeds and capital outlay.
- In 2015, on-behalf activity of a \$29,806 loan for a truck for the street department was not posted by the Village in the Special Revenue Street Construction Maintenance and Repair Fund resulting in the understatement of debt proceeds and capital outlay.
- In 2015 and 2014, Mayor's Court other financing sources of \$3,552 and \$3,305, respectively, and other financing uses of \$3,597 and \$3,260, respectively, were not correctly recorded in a separate Agency Fund.
- Rental income in the amounts of \$9,970 and \$7,496, in 2015 and 2014, respectively, was incorrectly posted as charges for services instead of miscellaneous revenue in the General Fund.
- In 2014, unassigned fund balance was overstated and assigned fund balance was understated in the General Fund by \$172,191.
- In 2014, the Street Light Fund activity within the General Fund was incorrectly posted, resulting in an overstatement of General Fund transfers-in and transfers-out by \$25,000.

Adjusting entries were posted to the financial statements and accounting records to correct these and other errors.

To help ensure the financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State. The Village Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements, by the Fiscal Officer and Council to identify and correct errors and omissions.

**FINDING NUMBER 2015-001  
 (Continued)**

**Officials' Response:**

The reclassification of the Street Light Fund was performed because of a recommendation from the State Auditor on the last audit.

**FINDING NUMBER 2015-002**

**Material Weakness – Utility Revenues**

The Village provides water, sewer and refuse services to its residents. Currently, the utility department bills the residents, collects payments, and updates customer accounts utilizing an outdated DOS based system. Procedures performed showed the following deficiencies on this outdated DOS utility system:

- Months not closing out correctly resulted in revenues showing up twice (in one month and then again in the next month)
- Month end balances not rolling 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 or any delinquent customer list with totals
- Lack of a report showing non cash adjustments by customer or in total
- Lack of any customer history report showing activity on individual customer accounts

The Village lacked an updated utility system which contributed to the significant variances between the DOS utility system revenue totals and utility revenue totals posted to the Village's accounting system.

	Utility System Revenues	UAN System Revenues	Difference
2015	\$414,983	\$356,542	\$58,441
2014	\$392,800	\$350,553	\$42,247

There was no reconciliation of the DOS utility system revenues to the collections posted to the Uniform Accounting Network (UAN) system during 2015 or 2014 therefore these differences were not detected by the Village.

We were unable to reconcile the revenues posted to the UAN system to the revenues deposited in the utility bank account monthly.

Consequently, due to the significant differences between the Utility DOS system totals and UAN revenue totals, we were unable to rely on the Utility DOS system reports, data, and amounts (in total or by customer).

We recommend the Village acquire and utilize updated windows based software for its utility department, so as to effectively and efficiently bill its customers, record collections, and monitor customer accounts. We also recommend the utility billing system collections be reconciled to the utility receipts posted to the UAN system monthly.



**FINDING NUMBER 2015-002  
(Continued)**

**Officials' Response:**

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

**FINDING NUMBER 2015-003**

**Material Weakness – Mayor's Court**

The fines and fees charged by the Mayor's Court are decided by the Mayor. However, there was no evidence that Council approved the bond schedule in place during 2015 and 2014. Furthermore, total Mayor's Court fines plus court costs, if applicable, that were collected did not always agree to the Mayor's Court Bond Schedule in place during 2015 and 2014.

This lack of a Council approved bond schedule allowed for incorrect and inconsistent fines and fees to be charged by the Mayor's Court in 2015 and 2014. Our testing noted actual errors of \$20 in 2015 and \$530 in 2014.

We recommend Council and the Mayor review the bond schedule for Mayor's Court. Council should then approve a bond schedule with the intended fines and fees. If the Mayor ever determines it necessary to assess a different fine or fee on a per case basis, the variance amount and reason should be documented on the ticket jacket.

**Officials' Response:**

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

**This page intentionally left blank.**

VILLAGE OF PAYNE  
PAULDING COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Material weakness regarding financial reporting due to errors on the financial statements.	Not corrected and reissued as Finding 2015-001 in this report.	An effort was made to correct prior audit posting errors, once aware of the errors. General Fund subsequent year appropriations in excess of estimated receipts were classified as Assigned for 2015. Street Light Fund balance and activity were moved to the General Fund manually for 2014 and on the system for 2015.

**This page intentionally left blank.**



# 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 29, 2016