



Dave Yost • Auditor of State

VILLAGE OF PAYNE
PAULDING COUNTY

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Dave Yost • Auditor of State

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

To the Village Council

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 24, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Payne, Paulding County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Village of Payne, Paulding County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in note 2, in 2010, the Village changed its financial statement presentation method from the cash basis to presentation method the Auditor of State prescribes or permits. In addition, as described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

July 24, 2012

**VILLAGE OF PAULDING
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$55,110	\$92,495		\$147,605
Intergovernmental	81,827	95,997	12,586	190,410
Charges for Services	676	90,390		91,066
Fines, Licenses and Permits	12,345	205		12,550
Earnings on Investments	815	148		963
Miscellaneous	3,250	44,712		47,962
<i>Total Cash Receipts</i>	<u>154,023</u>	<u>323,947</u>	<u>12,586</u>	<u>490,556</u>
Cash Disbursements				
Current:				
Security of Persons and Property		206,105		206,105
Public Health Services	1,950			1,950
Leisure Time Activities	7,734			7,734
Transportation	56	49,836		49,892
General Government	103,181			103,181
Capital Outlay	35,000	52,281	50,086	137,367
<i>Total Cash Disbursements</i>	<u>147,921</u>	<u>308,222</u>	<u>50,086</u>	<u>506,229</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,102</u>	<u>15,725</u>	<u>(37,500)</u>	<u>(15,673)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds			31,181	31,181
Transfers In		26,000	8,146	34,146
Transfers Out	(26,000)			(26,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(26,000)</u>	<u>26,000</u>	<u>39,327</u>	<u>39,327</u>
<i>Net Change in Fund Cash Balances</i>	<u>(19,898)</u>	<u>41,725</u>	<u>1,827</u>	<u>23,654</u>
<i>Fund Cash Balances, January 1</i>	<u>178,653</u>	<u>212,555</u>	<u>2,938</u>	<u>394,146</u>
Fund Cash Balances, December 31				
Restricted		254,280	4,765	259,045
Assigned	4,501			4,501
Unassigned	154,254			154,254
<i>Fund Cash Balances, December 31</i>	<u>\$158,755</u>	<u>\$254,280</u>	<u>\$4,765</u>	<u>\$417,800</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)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$334,250
Miscellaneous	<u>2,363</u>
<i>Total Operating Cash Receipts</i>	<u>336,613</u>
Operating Cash Disbursements	
Personal Services	63,266
Employee Fringe Benefits	20,216
Contractual Services	94,153
Supplies and Materials	66,245
Other	<u>27,423</u>
<i>Total Operating Cash Disbursements</i>	<u>271,303</u>
<i>Operating Income</i>	<u>65,310</u>
Non-Operating Disbursements	
Capital Outlay	(8,517)
Principal Retirement	(44,675)
Interest and Other Fiscal Charges	<u>(2,168)</u>
<i>Total Non-Operating Disbursements</i>	<u>(55,360)</u>
<i>Income before Transfers</i>	9,950
Transfers Out	<u>(8,146)</u>
<i>Net Change in Fund Cash Balances</i>	1,804
<i>Fund Cash Balances, January 1</i>	<u>95,772</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$97,576</u></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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$53,668	\$90,161		\$143,829
Intergovernmental	122,020	101,825	\$952,166	1,176,011
Charges for Services	1,550	101,546		103,096
Fines, Licenses and Permits	9,220	155		9,375
Earnings on Investments	820	100		920
Miscellaneous	3,659	1,759		5,418
<i>Total Cash Receipts</i>	<u>190,937</u>	<u>295,546</u>	<u>952,166</u>	<u>1,438,649</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	57	196,070		196,127
Public Health Services	1,950			1,950
Leisure Time Activities	5,136			5,136
Transportation	555	49,191		49,746
General Government	108,434			108,434
Capital Outlay		129,741	1,128,046	1,257,787
<i>Total Cash Disbursements</i>	<u>116,132</u>	<u>375,002</u>	<u>1,128,046</u>	<u>1,619,180</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>74,805</u>	<u>(79,456)</u>	<u>(175,880)</u>	<u>(180,531)</u>
Other Financing Receipts (Disbursements)				
Proceeds from Sale of Public Debt:				
Loan Proceeds			176,818	176,818
Sale of Fixed Assets		7,250		7,250
Transfers-In		22,500		22,500
Transfers-Out	(22,500)		(49)	(22,549)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(22,500)</u>	<u>29,750</u>	<u>176,769</u>	<u>184,019</u>
<i>Net Change in Fund Cash Balances</i>	52,305	(49,706)	889	3,488
<i>Fund Cash Balances, January 1</i>	<u>126,348</u>	<u>262,261</u>	<u>2,049</u>	<u>390,658</u>
<i>Fund Cash Balances, December 31</i>	<u>\$178,653</u>	<u>\$212,555</u>	<u>\$2,938</u>	<u>\$394,146</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$4,719</u>	<u>\$4,275</u>		<u>\$8,994</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)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$332,234
Miscellaneous	<u>1,359</u>
<i>Total Operating Cash Receipts</i>	<u>333,593</u>
Operating Cash Disbursements:	
Personal Services	61,988
Employee Fringe Benefits	18,525
Contractual Services	96,545
Supplies and Materials	88,466
Other	<u>28,911</u>
<i>Total Operating Cash Disbursements</i>	<u>294,435</u>
<i>Operating Income</i>	<u>39,158</u>
Non-Operating Cash Disbursements:	
Capital Outlay	(15,705)
Redemption of Principal	(27,736)
Interest and Other Fiscal Charges	<u>(3,494)</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>(46,935)</u>
<i>Loss before Transfers</i>	(7,777)
Transfers-In	<u>49</u>
<i>Net Change in Fund Cash Balances</i>	(7,728)
<i>Fund Cash Balances, January 1</i>	<u>103,500</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$95,772</u></u>
<i>Reserve for Encumbrances, December 31</i>	<u><u>\$2,599</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, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Payne, Paulding County, Ohio (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 entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

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 certificate of deposits 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Combined Sewer Overflow Project Fund – This fund receives proceeds of an Ohio Water Development Authority loan. The proceeds are being used to construct improvements to the Village’s sewer system.

Ohio Public Works Commission – Water Line Replacement Fund – This fund receives grants proceeds from the Ohio Public Works Commission to finance 80% of the replacement of water lines within the Village.

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 this service.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

VILLAGE OF PAYNE
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

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

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 also approve estimated resources.

3. **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 2011 and 2010 budgetary activity appears in Note 4.

F. **Fund Balance**

For 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. For December 31, 2011, 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.

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.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. Changes in Financial Statement Presentation

In 2009, the Village reported the financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. For 2010, the Village began reporting on a regulatory basis. The Village no longer presents entity wide financial statements. The fund financial statements now present a column for each fund type, rather than a separate column for each major fund with non-major funds aggregated and presented in a single column.

3. 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:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$465,376	\$439,918
Certificates of deposit	50,000	50,000
Total deposits	<u>\$515,376</u>	<u>\$489,918</u>

At December 31, 2011 and 2010, the Village had \$150 in cash on hand which is included as part of demand deposits.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,100	\$154,023	(\$21,077)
Special Revenue	355,950	349,947	(6,003)
Capital Projects	52,500	51,913	(587)
Enterprise	340,207	336,613	(3,594)
Total	\$923,757	\$892,496	(\$31,261)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$194,819	\$178,422	\$16,397
Special Revenue	333,075	311,890	21,185
Capital Projects	53,138	50,086	3,052
Enterprise	351,599	337,128	14,471
Total	\$932,631	\$877,526	\$55,105

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$265,097	\$190,937	(\$74,160)
Special Revenue	576,525	325,296	(251,229)
Capital Projects	1,324,705	1,128,984	(195,721)
Enterprise	460,246	333,642	(126,604)
Total	\$2,626,573	\$1,978,859	(\$647,714)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$176,645	\$143,351	\$33,294
Special Revenue	469,677	379,277	90,400
Capital Projects	1,299,705	1,128,095	171,610
Enterprise	373,423	343,969	29,454
Total	\$2,319,450	\$1,994,692	\$324,758

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Retention Pond Loan	\$12,783	4%
Water Tower Loan	19,329	4.75%
Ohio Water Development Authority Loan	295,311	0%
Total	<u>\$327,423</u>	

The Sewer Retention Pond loan was used to complete the financing for the purchase of 17.2468 acres to be used for the construction of a sewer retention pond required by an Ohio Environmental Protection Agency mandate. This loan can be paid off prior to maturity. The total amount of the loan was \$20,000. The loan is repaid from the Village's Sewer fund, which is primarily funded by user fees. The note has a fixed interest of 4%.

The Water Tower Loan was obtained from a local bank. This was used to finance improvements to the water distribution system, mainly replacement of the water tower. The total drawn on this note was \$385,000. The loan is repaid from the Village's Water fund, which primarily funded by user fees. The note has a variable rate of interest not more than 11.25% or less than 4.75% during the term of the note. The rate may change annually but not more than 2% per year. The current interest rate is 4.75%.

The 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. This loan has not finalized by the Ohio Water Development Authority. No amortization schedule is available.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	Water Tower Loan	Sewer Retention Pond Loan	Water Population Control Loan
2012	\$19,788	\$2,430	\$15,614
2013		2,430	15,614
2014		2,430	15,614
2015		2,430	15,614
2016		2,430	15,614
2017-2021		2,226	78,070
2022-2026			78,070
2027-2031			61,101
Total	<u>\$19,788</u>	<u>\$14,376</u>	<u>\$295,311</u>

7. 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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

8. Risk Management

Risk Pool Membership

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) 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 761 and 725 members as of December 31, 2010 and 2009 respectively. The Government [does not participate] participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Government [does not participate] participates in this coverage.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010 OPRM	OPHC	2009 OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

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



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of Village of Payne, Paulding County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 24, 2012 wherein we noted the Village changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes and the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 24, 2012.

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

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

July 24, 2012

**VILLAGE OF PAYNE
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code § 5705.36(A)(2),(4) and 5705.39 Estimated resources and appropriations were greater than actual amounts available in certain funds.	Yes	
2009-002	Material Weakness – Adjustments were made to budgetary comparison statements	Yes	
2009-003	Material Weakness- Adjustments were made to financial statements	Yes	

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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
AUGUST 07, 2012