



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, 2013.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2013.....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2012.....	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19

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 Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Payne, Paulding County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

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 audit opinion.

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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Payne, Paulding County, Ohio as of December 31, 2013 and 2012, 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 August 26, 2014, 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.



Dave Yost
Auditor of State

Columbus, Ohio

August 26, 2014

**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$61,980	\$115,899		\$177,879
Intergovernmental	93,621	119,721	\$108,800	322,142
Rental Income	17,084			17,084
Charges for Services	200	122,440		122,640
Fines, Licenses and Permits	5,986	50		6,036
Earnings on Investments	558	84		642
Insurance Proceeds	25,640			25,640
Miscellaneous	7,068	17,652		24,720
<i>Total Cash Receipts</i>	<u>212,137</u>	<u>375,846</u>	<u>108,800</u>	<u>696,783</u>
Cash Disbursements				
Current:				
Security of Persons and Property		224,145		224,145
Public Health Services	1,638			1,638
Leisure Time Activities	2,500			2,500
Community Environment				
Basic Utility Services				
Transportation	22,485	35,015		57,500
General Government	71,949	22,485		94,434
Capital Outlay		38,423	143,205	181,628
Debt Service:				
Principal Retirement		31,558		31,558
Interest and Fiscal Charges		188		188
<i>Total Cash Disbursements</i>	<u>98,572</u>	<u>351,814</u>	<u>143,205</u>	<u>593,591</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>113,565</u>	<u>24,032</u>	<u>(34,405)</u>	<u>103,192</u>
Other Financing Receipts (Disbursements)				
Transfers In	5,440	10,000	26,705	42,145
Transfers Out	(15,439)			(15,439)
Other Financing Uses	(72,090)			(72,090)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(82,089)</u>	<u>10,000</u>	<u>26,705</u>	<u>(45,384)</u>
<i>Net Change in Fund Cash Balances</i>	31,476	34,032	(7,700)	57,808
<i>Fund Cash Balances, January 1</i>	<u>157,798</u>	<u>288,622</u>	<u>\$7,700</u>	<u>454,120</u>
Fund Cash Balances, December 31				
Restricted		322,654		322,654
Assigned	108,400			108,400
Unassigned	80,874			80,874
<i>Fund Cash Balances, December 31</i>	<u>\$189,274</u>	<u>\$322,654</u>	<u>\$7,700</u>	<u>\$511,928</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, 2013**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$344,249
Miscellaneous	3,162
	347,411
<i>Total Operating Cash Receipts</i>	<i>347,411</i>
Operating Cash Disbursements	
Personal Services	69,023
Employee Fringe Benefits	28,663
Contractual Services	100,356
Supplies and Materials	57,395
Other	39,790
	295,227
<i>Total Operating Cash Disbursements</i>	<i>295,227</i>
<i>Operating Income</i>	<i>52,184</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	1,882
Capital Outlay	(8,774)
Principal Retirement	(17,590)
Interest and Other Fiscal Charges	(396)
	(24,878)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(24,878)</i>
<i>Income before Transfers</i>	<i>27,306</i>
Transfers In	5,439
Transfers Out	(32,145)
	600
<i>Net Change in Fund Cash Balances</i>	<i>600</i>
<i>Fund Cash Balances, January 1</i>	<i>72,406</i>
<i>Fund Cash Balances, December 31</i>	<i>\$73,006</i>

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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$54,214	\$91,931		\$146,145
Intergovernmental	49,433	83,798	\$174,824	308,055
Contributions and Donations		26,304		26,304
Rental Income	14,709			14,709
Charges for Services	551	83,266		83,817
Fines, Licenses and Permits	7,120	705		7,825
Earnings on Investments	819	86		905
Insurance Proceeds	51,685	33,895		85,580
Miscellaneous	6,666	4,021		10,687
<i>Total Cash Receipts</i>	<u>185,197</u>	<u>324,006</u>	<u>174,824</u>	<u>684,027</u>
Cash Disbursements				
Current:				
Security of Persons and Property		292,137		292,137
Public Health Services	2,667			2,667
Leisure Time Activities	6,936			6,936
Transportation		41,077		41,077
General Government	121,141			121,141
Capital Outlay		51,271	200,649	251,920
Debt Service:				
Principal Retirement		36,748		36,748
Interest and Fiscal Charges		179		179
<i>Total Cash Disbursements</i>	<u>130,744</u>	<u>421,412</u>	<u>200,649</u>	<u>752,805</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>54,453</u>	<u>(97,406)</u>	<u>(25,825)</u>	<u>(68,778)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes		86,748		86,748
Transfers In		45,000	28,760	73,760
Transfers Out	(45,000)			(45,000)
Other Financing Uses	(10,410)			(10,410)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(55,410)</u>	<u>131,748</u>	<u>28,760</u>	<u>105,098</u>
<i>Net Change in Fund Cash Balances</i>	(957)	34,342	2,935	36,320
<i>Fund Cash Balances, January 1</i>	<u>158,755</u>	<u>254,280</u>	<u>4,765</u>	<u>417,800</u>
Fund Cash Balances, December 31				
Restricted		288,566	7,700	296,266
Committed		56		56
Assigned	94,471			94,471
Unassigned	63,327			63,327
<i>Fund Cash Balances, December 31</i>	<u>\$157,798</u>	<u>\$288,622</u>	<u>\$7,700</u>	<u>\$454,120</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, 2012

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$336,762
Miscellaneous	3,559
	<hr/>
<i>Total Operating Cash Receipts</i>	340,321
	<hr/>
Operating Cash Disbursements	
Personal Services	77,420
Employee Fringe Benefits	26,108
Contractual Services	109,020
Supplies and Materials	36,957
Other	38,736
	<hr/>
<i>Total Operating Cash Disbursements</i>	288,241
	<hr/>
<i>Operating Income</i>	52,080
	<hr/>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	7,540
Capital Outlay	(18,542)
Principal Retirement	(36,666)
Interest and Other Fiscal Charges	(822)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	(48,490)
	<hr/>
<i>Income before Transfers</i>	3,590
	<hr/>
Transfers Out	(28,760)
	<hr/>
<i>Net Change in Fund Cash Balances</i>	(25,170)
	<hr/>
<i>Fund Cash Balances, January 1</i>	97,576
	<hr/>
<i>Fund Cash Balances, December 31</i>	\$72,406
	<hr/> <hr/>

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, 2013 AND 2012**

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 [Entity Name], 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 entity risk pool. Note 7 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 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, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Emergency Medical Services Fund - This fund receives revenue from property taxes to provide emergency medical services to residents of the Village. Charges for services revenue is received from Benton and Harrison Townships through annual contracts to provide services to their residents.

Fire Equipment and Maintenance Fund - This fund receives revenue from property taxes to provide fire protection 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 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 Funds:

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

FEMA Equipment Purchases Fund – This fund receives FEMA grant proceeds. The proceeds were used to purchase equipment for the fire department.

Ohio Public Works Commission – Water Line Replacement Fund – This fund receives grant 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 the cost of providing this service.

VILLAGE OF PAYNE
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

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

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, 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 outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 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, 2013 AND 2012
(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:

	2013	2012
Demand deposits	\$534,934	\$476,526
Certificates of deposit	50,000	50,000
Total deposits	<u>\$584,934</u>	<u>\$526,526</u>

At December 31, 2013 and 2012, 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; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$220,803	\$217,577	(\$3,226)
Special Revenue	445,303	385,846	(59,457)
Capital Projects	135,505	135,505	
Enterprise	360,439	354,732	(5,707)
Total	\$1,162,050	\$1,093,660	(\$68,390)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$206,479	\$186,101	\$20,378
Special Revenue	484,605	351,814	132,791
Capital Projects	143,205	143,205	
Enterprise	415,405	354,132	61,273
Total	\$1,249,694	\$1,035,252	\$214,442

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$170,587	\$185,197	\$14,610
Special Revenue	237,218	455,754	218,536
Capital Projects	375,234	203,584	(171,650)
Enterprise	312,402	347,861	35,459
Total	\$1,095,441	\$1,192,396	\$96,955

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,500	\$186,193	\$48,307
Special Revenue	453,300	421,546	31,754
Capital Projects	380,000	200,649	179,351
Enterprise	404,757	373,102	31,655
Total	\$1,472,557	\$1,181,490	\$291,067

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
WSOS Community Action Commission Loan	\$8,796	4%
Ohio Water Development Authority Loan	264,286	0%
Total	<u>\$273,082</u>	

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 can be paid off prior to maturity. 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 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.

The Village had a Water Tower Loan which was used to finance improvements to the water distribution system. The loan was fully repaid from the Village's Water fund in 2012.

In 2012, Benton Township, Harrison Township, and the Village of Payne jointly entered into a bank loan of \$50,000 to pay for expenses related to storm damage. During 2012, Harrison Township and Benton Township made principal payments directly to the bank in the amounts of \$5,121 and \$8,130, respectively. Since these payments were for their portion of the outstanding debt, these payments are not reflected in the accompanying financial statements. On December 31, 2012 the Village of Payne took out a bank loan for \$36,748 to refinance the remaining balance on the bank loan. The balance was repaid in 2013.

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	WSOS Community Action Commission Loan	OWDA Loan
2014	\$2,430	\$15,546
2015	2,430	15,546
2016	2,430	15,546
2017	2,226	15,546
2018		15,546
2019-2023		77,732
2024-2028		77,732
2029-2033		31,092
Total	\$9,516	\$264,286

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 2013 and 2012, OP&F participants contributed 10% of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, 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, 2013.

7. Risk Management

Risk Pool Membership

The Township 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, 2013 AND 2012
(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 767 and 774 members as of December 31, 2012 and 2013 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, 2012 and 2013.

	2012	2013
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

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

**VILLAGE OF PAYNE
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Transfers

In 2013, the District had transfers as follows:

	Transfers From:	Transfers To:
General Fund	\$ 15,439	\$ 5,440
Special Revenue Funds:		
Police Fund		10,000
Capital Projects Funds:		
OPWC-Sewer Line Replacement Fund		26,705
Enterprise Funds:		
Water Operating Fund		5,439
Sewer Operating Fund	26,706	
Water and Sewer Advance Deposits Fund	5,439	
Total Enterprise Funds	32,145	5,439
Total Transfers	\$ 47,584	\$ 47,584

In 2012, the District had transfers as follows:

	Transfers From:	Transfers To:
General Fund	\$ 45,000	
Special Revenue Funds:		
Police Fund		\$ 45,000
Capital Projects Funds:		
OPWC-Water Line Replacement Fund		18,760
OPWC-Sewer Line Replacement Fund		10,000
Total Capital Projects Funds		28,760
Enterprise Funds:		
Water Operating Fund	18,760	
Sewer Operating Fund	10,000	
Total Enterprise Funds	28,760	
Total Transfers	\$ 73,760	\$ 73,760

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.

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 Village of Payne, Paulding County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 26, 2014, 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.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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*.

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

August 26, 2014

VILLAGE OF PAYNE
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Material Weakness - Financial Reporting

Accurate financial reporting is the responsibility of Village management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. The 2013 and 2012 financial statements contained material errors, such as the following:

- Street Light Fund was incorrectly reported as a Special Revenue Fund instead of General Fund, resulting in property tax receipts, intergovernmental receipts, general government disbursements, transfers-out, beginning fund balance, and cash of \$38,737, \$7,716, \$22,485, \$10,000, \$94,432, and \$108,400, respectively being overstated in the Special Revenue Funds and understated in the General Fund for 2013.
- Street Light Fund was incorrectly reported as a Special Revenue Fund instead of General Fund, resulting in property tax receipts, intergovernmental receipts, general government disbursements, transfers-out, beginning fund balance, and cash of \$33,463, \$9,137, \$25,107, \$40,000, \$116,939, and \$94,432, respectively being overstated in the Special Revenue Funds and understated in the General Fund for 2012.
- Insurance proceeds were misclassified as miscellaneous revenue in the General Fund in 2013 and 2012 in the amounts of \$25,640 and \$51,685, respectively.
- Debt proceeds and debt principal payment were understated by \$36,748 in 2012 in the Special Revenue Funds due to not posting the refinancing of a bank loan.
- General Fund committed fund balances of \$81,400 as of December 31, 2013 and \$94,432 as of December 31, 2012 were misclassified as restricted fund balance and assigned fund balance, respectively.

Adjusting entries were posted to the financial statements to correct these and other errors, ranging from \$47 to \$108,400. To ensure the Village's financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.

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
SEPTEMBER 16, 2014