



**Auditor of State
Betty Montgomery**

VILLAGE OF NEW PARIS
PREBLE COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Paris
Preble County
115 North Spring Street
P.O. Box 147
New Paris, Ohio 45347

To the Village Council:

We have audited the accompanying financial statements of the Village of New Paris, Preble County, Ohio (the Village), as of and for the year ended December 31, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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's financial transactions were processed using 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 conduct the audit of 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by the *U.S. Office of Management & Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 14, 2004

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$55,721	\$23,732	\$79,453
Intergovernmental Receipts	95,183	444,704	539,887
Charges for Services	510		510
Fines, Licenses, and Permits	10,831	310	11,141
Earnings on Investments	838	1,471	2,309
Miscellaneous	14,620	1,461	16,081
	<u>177,703</u>	<u>471,678</u>	<u>649,381</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	97,600	72,153	169,753
Leisure Time Activities	87	616	703
Community Environment	737	388	1,125
Basic Utility Services	2,347		2,347
Transportation		59,459	59,459
General Government	82,517	10,025	92,542
Capital Outlay	12,890	362,291	375,181
	<u>196,178</u>	<u>504,932</u>	<u>701,110</u>
Total Receipts (Under) Disbursements	<u>(18,475)</u>	<u>(33,254)</u>	<u>(51,729)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In	6,042	17,003	23,045
Transfers-Out	(17,003)	(2,868)	(19,871)
Other Financing Uses	(3,355)	(6,647)	(10,002)
	<u>(14,316)</u>	<u>7,488</u>	<u>(6,828)</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(32,791)	(25,766)	(58,557)
Fund Cash Balances, January 1	<u>41,197</u>	<u>110,245</u>	<u>151,442</u>
Fund Cash Balances, December 31	<u>\$8,406</u>	<u>\$84,479</u>	<u>\$92,885</u>

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

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$427,894
Miscellaneous	763
	<u>428,657</u>
Total Operating Cash Receipts	<u>428,657</u>
Operating Cash Disbursements:	
Personal Services	108,468
Fringe Benefits	32,849
Contractual Services	68,933
Supplies and Materials	24,098
Other	1,170
Capital Outlay	1,444,641
	<u>1,680,159</u>
Total Operating Cash Disbursements	<u>1,680,159</u>
Operating (Loss)	<u>(1,251,502)</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	1,045,436
Earnings on Investments	8,477
Proceeds from Notes and Bonds	2,320,429
	<u>3,374,342</u>
Total Non-Operating Cash Receipts	<u>3,374,342</u>
Non-Operating Cash Disbursements:	
Debt Service	2,186,228
Other Non-Operating Cash Disbursements	32,870
	<u>2,219,098</u>
Total Non-Operating Cash Disbursements	<u>2,219,098</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	<u>(96,258)</u>
Transfers-In	626
Transfers-Out	(3,800)
	<u>(3,174)</u>
Net Receipts (Under) Disbursements	<u>(99,432)</u>
Fund Cash Balances, January 1	<u>493,841</u>
Fund Cash Balances, December 31	<u>\$394,409</u>

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

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Paris, Preble County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money and grant money for constructing, maintaining and repairing Village streets.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

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

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

Federal Loan Water Improvement Fund - This fund was established to account for the federal financial loan activity associated with the new water system project.

Federal Grant Water Improvement Fund - This fund was established to account for the federal financial grant activity associated with the new water system project.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003
Demand deposits	\$450,418
Total deposits	450,418
STAR Ohio	36,876
Total investments	36,876
Total deposits and investments	\$487,294

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by a letter of credit with Federal Home Loan Bank of Cincinnati listing the Village as the beneficiary.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$255,500	\$183,745	(\$71,755)
Special Revenue	433,350	488,681	55,331
Enterprise	1,767,444	3,803,625	2,036,181
Total	\$2,456,294	\$4,476,051	\$2,019,757

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$301,245	\$216,536	\$84,709
Special Revenue	539,049	514,447	24,602
Enterprise	2,261,284	3,903,057	(1,641,773)
Total	\$3,101,578	\$4,634,040	(\$1,532,462)

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Police Levy Fund by \$11,921, the COPS Fast Fund by \$32,186 and the Federal Grant Fund by \$2,023,721 for the year ended December 31, 2003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$282,657	2.00%
Ohio Public Works Commission Loan	331,563	0.00%
Water System Mortgage Revenue Bonds	2,080,000	4.50%
Police Cruiser Lease - GMAC	7,238	7.10%
Police Cruiser Lease - GMAC	4,825	6.50%
Total	<u>\$2,706,283</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project. The OWDA loaned \$630,607 to the Village for Project 122SRF. The loan is being repaid in semiannual installments of \$19,206, including interest, over a total of 20 years (the first payment was made in July 1992). The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village was awarded \$680,130 by the Ohio Public Works Commission (OPWC) on July 1, 1999, for the water supply system project. Of this money, \$340,065 was from a grant and \$340,065 was from a loan. The loan is being repaid in semiannual installments of \$8,502, over a total of 20 years (the first payment was made in December 2003). The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. DEBT (Continued)

The Water System Mortgage Revenue Bonds were renewed on November 19, 2003, for \$2,080,000. The bonds were issued to finance the acquisition, construction, and installation of improvements to the water. The bonds bear interest payable and principal payable annually on November 1 (initially November 1, 2004). The bonds have a final maturity date of November 1, 2043. The bonds are secured by an indenture of mortgage upon all property of the Village which constitutes its municipal water system (including all extensions, additions, replacements, improvements and alterations to the water system). As required by the mortgage revenue bond covenant, the Village has established and funded a water system operating fund, from which debt service payments will be made.

The lease with General Motors Acceptance Corporation is for the lease/purchase of a 2001 Chevrolet Impala Police Sedan. The lease was entered into on July 27, 2001. The original lease/purchase amount was \$28,056 and is being repaid in annual installments of \$7,751. The first payment was made July 27, 2001. The Village will have a concluding payment of \$1 at which time the cruiser will be paid off.

The lease with General Motors Acceptance Corporation is for the lease/purchase of a 2000 Chevrolet Impala Police Sedan. The lease was entered into on March 15, 2001. The original lease/purchase amount was \$18,750 and is being repaid in annual installments of \$5,139. The first payment was made March 15, 2001. The Village will have a concluding payment of \$1 at which time the cruiser will be paid off.

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

Year ending December 31:	OWDA Loan	OPWC Loan	Water System Revenue Bonds	Police Cruiser Lease - GMAC	Police Cruiser Lease - GMAC
2004	\$19,206	\$8,502	\$108,984	\$7,751	\$5,139
2005	38,412	17,003	112,700		
2006	38,412	17,003	111,800		
2007	38,412	17,003	115,900		
2008	38,412	17,003	110,021		
2009-2013	134,440	85,016	568,134		
2014-2018		85,016	560,494		
2019-2023		85,016	565,878		
2024-2028			565,389		
2029-2033			566,953		
2034-2038			567,942		
2039-2043			569,801		
Total	<u>\$307,294</u>	<u>\$331,562</u>	<u>\$4,523,996</u>	<u>\$7,751</u>	<u>\$5,139</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. CONTINGENT LIABILITIES

The Village is a party in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Cops Universal Hiring Program	2001UMWX0213	16.710	\$ 25,208
Total U.S. Department of Justice			<u>25,208</u>
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Small Cities Community Development Block Grant Program	C-W-00-245-1	14.228	<u>101,715</u>
Total U.S. Department of Housing & Urban Development			<u>101,715</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Water and Waste Disposal Systems for Rural Communities		10.760	<u>1,148,652</u>
Total U.S. Department of Agriculture			<u>1,148,652</u>
Total			<u><u>\$1,275,575</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal fund (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of New Paris
Preble County
115 North Spring Street
P.O. Box 147
New Paris, Ohio 45347

To the Village Council:

We have audited the accompanying financial statements of the Village of New Paris, Preble County, Ohio (the Village), as of and for the year ended December 31, 2003, and have issued our report thereon dated September 14, 2004. We noted that the Village's financial transactions were processed using 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 conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated September 14, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Village's management in a separate letter dated September 14, 2004.

This report is intended for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 14, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of New Paris
Preble County
115 North Spring Street
P.O. Box 147
New Paris, Ohio 45347

To the Village Council:

Compliance

We have audited the compliance of the Village of New Paris, Preble County, Ohio (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal program for the year ended December 31, 2003. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 14, 2004

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program (list):	Water & Waste Disposal Systems for Rural Communities, CFDA #10.760
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), states no taxing authority shall make any expenditures of money unless it has been appropriated.

Expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Actual Disbursements	Variance
Police Levy Fund	\$30,677	\$42,598	\$11,921
COPS Fast Fund	0	32,186	32,186
Federal Grant Fund	1,000,000	3,023,721	2,023,721

Expenditures exceeding appropriations could result in negative cash balances in individual funds. The Clerk should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-002

Reportable Condition

Per AOS Audit Bulletin 97-010, when short-term notes mature, many local governments issue new notes for the same or a slightly smaller amount than the old one. The local government is required to budget for the payment of the principal of the old note and should budget for the receipt of the proceeds of the new note.

Also, in order to facilitate repayment of debt, at the time the notes or bonds are issued, the subdivision should request from the county budget commission an amended certificate of estimated resources pursuant to Ohio Rev. Code Section 5705.36. The new certificate should contain an increase in the estimate of bond retirement fund receipts equal to the amount which will be allocated to this fund for the repayment of the notes or bonds, including interest.

During the audit period the Village re-issued a \$2,080,000 mortgage revenue bond. However, the Village did not record this activity on the books or request an amended certificate. Adjustments have been made to the financial statements to properly record this activity. We recommend that the Village follow the guidance in AOS Audit Bulletin 97-010 and Ohio Rev. Code Section 5705.36.

Also, debt activity was not posted to the correct line-items. All debt proceeds should be posted to proceeds of debt. Debt payments should be posted to debt service – principal and debt service – interest for the respective amounts. Note or bond renewals should be recognized as revenues and expenditures when renewed. Failure to properly post debt activity and lease payments may result in misleading financial statements. We recommend that the Village properly post debt activity and lease payments.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-30368-001	Revised Code 5705.41(D), failure to properly certify funds	No	Not fully corrected – reissued as management letter citation
2002-30368-002	Revised Code 5705.39 – appropriations exceeded estimated resources	No	Not fully corrected – reissued as a management letter citation
2002-30368-003	Revised Code 5705.41(B), expenditures exceeded appropriations	No.	Not corrected – reissued as Finding 2003-001
2002-30368-004	Revised Code 135.18, failure to maintain sufficient collateral	Yes	



**Auditor of State
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VILLAGE OF NEW PARIS

PREBLE 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
OCTOBER 18, 2004**