

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

DAYTON REGION

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006



Mary Taylor, CPA

Auditor of State

Village Council
Village of Saint Paris
135 W. Main St.
Saint Paris, Ohio 43072

We have reviewed the *Independent Accountants' Report* of the Village of Saint Paris, Champaign County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Saint Paris is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 17, 2008

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**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

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MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT ACCOUNTANTS' REPORT

Village of Saint Paris
Champaign County
135 W. Main St.
Saint Paris, Ohio 43072

To the Village Council:

We have audited the accompanying financial statements of the Village of Saint Paris, Champaign County (the Village), as of and for the years ended December 31, 2007 and 2006. 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. We believe that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. 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, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Saint Paris, Champaign County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2008, on our consideration of the Village's internal control structure 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

August 11, 2008

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**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 86,862	\$ 146,474	\$ 233,336
Municipal Income Tax	250,949	0	250,949
Intergovernmental	108,417	103,460	211,877
Special Assessments	0	814	814
Charges for Services	5	1,614	1,619
Fines, Licenses and Permits	31,198	5,253	36,451
Earnings on Investments	17,949	859	18,808
Miscellaneous	941	16,578	17,519
	<u>496,321</u>	<u>275,052</u>	<u>771,373</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	\$ 315,337	\$ 0	\$ 315,337
Public Health Services	0	20,642	20,642
Leisure Time Activities	0	3,724	3,724
Community Environment	15,801	0	15,801
Transportation	46,113	303,808	349,921
General Government	150,991	2,125	153,116
Debt Service:			
Principal Payment	7,630	6,766	14,396
Interest and Fiscal Charges	0	929	929
	<u>535,872</u>	<u>337,994</u>	<u>873,866</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(39,551)</u>	<u>(62,942)</u>	<u>(102,493)</u>
Other Financing Sources/(Uses):			
Transfers-In	0	55,000	55,000
Transfers-In	<u>(55,000)</u>	<u>0</u>	<u>(55,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(94,551)	(7,942)	(102,493)
Fund Cash Balances, January 1,	<u>212,409</u>	<u>220,760</u>	<u>433,169</u>
Fund Cash Balances, December 31,	<u>\$ 117,858</u>	<u>\$ 212,818</u>	<u>\$ 330,676</u>
Reserve for Encumbrances, December 31	<u>\$ 4,924</u>	<u>\$ 16</u>	<u>\$ 4,940</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary</u>			<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Fund Type</u>	<u>Fiduciary Fund Type</u>		
	<u>Enterprise</u>	<u>Agency</u>	<u>Private</u> <u>Purpose Trust</u>	
Operating Cash Receipts:				
Charges for Services	\$ 669,120	\$ 0	\$ 0	\$ 669,120
Fines, Licenses, and Permits	0	4,398	0	4,398
Total Operating Cash Receipts	<u>669,120</u>	<u>4,398</u>	<u>0</u>	<u>673,518</u>
Operating Cash Disbursements:				
Personal Services	\$ 136,500	\$ 0	\$ 0	\$ 136,500
Employee Fringe Benefits	56,155	0	0	56,155
Contractual Services	93,137	0	0	93,137
Supplies and Materials	101,869	0	0	101,869
Other	4,816	4,398	1,416	10,630
Total Operating Cash Disbursements	<u>392,477</u>	<u>4,398</u>	<u>1,416</u>	<u>398,291</u>
Operating Income/ (Loss)	<u>276,643</u>	<u>0</u>	<u>(1,416)</u>	<u>275,227</u>
Non-Operating Receipts/Disbursements:				
Miscellaneous Receipts	207,116	0	0	207,116
Sale of Notes	582,431	0	0	582,431
Earnings on Investments	0	0	2,094	2,094
Capital Outlay	(640,581)	0	0	(640,581)
Redemption of Principal	(134,756)	0	0	(134,756)
Interest and Other Fiscal Charges	(24,381)	0	0	(24,381)
Total Non-Operating Cash Receipts/Disbursements	<u>(10,171)</u>	<u>0</u>	<u>2,094</u>	<u>(8,077)</u>
Net Revenues Over/(Under) Expenses	266,472	0	678	267,150
Fund Cash Balances, January 1,	<u>289,569</u>	<u>143</u>	<u>1,843</u>	<u>291,555</u>
Fund Cash Balances, December 31,	<u>\$ 556,041</u>	<u>\$ 143</u>	<u>\$ 2,521</u>	<u>\$ 558,705</u>
Reserve for Encumbrances, December 31	<u>\$ 2,849</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,849</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 46,146	\$ 137,368	\$ 183,514
Municipal Income Tax	258,886	0	258,886
Intergovernmental	107,360	110,482	217,842
Charges for Services	0	2,601	2,601
Fines, Licenses and Permits	26,583	4,537	31,120
Earnings on Investments	10,483	488	10,971
Miscellaneous	10,847	15,130	25,977
Total Cash Receipts	<u>460,305</u>	<u>270,606</u>	<u>730,911</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	\$ 315,067	\$ 0	\$ 315,067
Public Health Services	0	20,428	20,428
Leisure Time Activities	0	5,076	5,076
Community Environment	13,812	0	13,812
Transportation	38,415	410,293	448,708
General Government	133,163	9,386	142,549
Debt Service:			
Principal Payment	7,630	6,504	14,134
Interest and Fiscal Charges	0	1,191	1,191
Total Cash Disbursements	<u>508,087</u>	<u>452,878</u>	<u>960,965</u>
Total Receipts Over/(Under) Disbursements	<u>(47,782)</u>	<u>(182,272)</u>	<u>(230,054)</u>
Other Financing Sources/(Uses):			
Sale of Fixed Assets	0	2,000	2,000
Transfers-In	0	10,000	10,000
Transfers-Out	(10,000)	0	(10,000)
Total Other Financing Receipts (Disbursements)	<u>(10,000)</u>	<u>12,000</u>	<u>2,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(57,782)	(170,272)	(228,054)
Fund Cash Balances, January 1,	<u>270,191</u>	<u>391,032</u>	<u>661,223</u>
Fund Cash Balances, December 31	<u>\$ 212,409</u>	<u>\$ 220,760</u>	<u>\$ 433,169</u>
Reserve for Encumbrances, December 31	<u>\$ 5,535</u>	<u>\$ 54</u>	<u>\$ 5,589</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:				
Charges for Services	\$ 535,610	\$ 0	\$ 0	\$ 535,610
Fines, Licenses, and Permits	0	3,242	0	3,242
Total Operating Cash Receipts	<u>535,610</u>	<u>3,242</u>	<u>0</u>	<u>538,852</u>
Operating Cash Disbursements:				
Personal Services	\$ 127,354	\$ 0	\$ 0	\$ 127,354
Employee Fringe Benefits	43,949	0	0	43,949
Contractual Services	89,401	0	0	89,401
Supplies and Materials	92,313	0	0	92,313
Other	11,453	3,102	996	15,551
Total Operating Cash Disbursements	<u>364,470</u>	<u>3,102</u>	<u>996</u>	<u>368,568</u>
Operating Income/ (Loss)	<u>171,140</u>	<u>140</u>	<u>(996)</u>	<u>170,284</u>
Non-Operating Cash Receipts/Disbursements:				
Miscellaneous Receipts	46,540	0	0	46,540
Earnings on Investments	0	0	1,684	1,684
Capital Outlay	(60,946)	0	0	(60,946)
Redemption of Principal	(131,076)	0	0	(131,076)
Interest and Other Fiscal Charges	(13,284)	0	0	(13,284)
Total Non-Operating Cash Receipts/Disbursements	<u>(158,766)</u>	<u>0</u>	<u>1,684</u>	<u>(157,082)</u>
Net Revenues Over/(Under) Expenses	12,374	140	688	13,202
Fund Cash Balances, January 1,	<u>277,195</u>	<u>3</u>	<u>1,155</u>	<u>278,353</u>
Fund Cash Balances, December 31,	<u>\$ 289,569</u>	<u>\$ 143</u>	<u>\$ 1,843</u>	<u>\$ 291,555</u>
Reserve for Encumbrances, December 31	<u>\$ 2,879</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,879</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Saint Paris, Champaign 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. A publicly elected six-member Council directs the Village. The Village provides general governmental services, including water and sewer utilities, police services, and emergency medical 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. The Village does not utilize the encumbrance method of accounting, as prescribed by law. Therefore, budgetary presentations report budgetary expenditures when an expenditure is made rather than 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

The Village of Saint Paris maintains its cash deposits in an interest-bearing checking account and a sweep account.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds

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 Funds:

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

Storm Drain Fund – This fund receives tax levy money to provide maintenance and replacement of storm sewer lines within the Village.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds.

Private Purpose Trust:

Shank Trust Fund – This fund receives proceeds from the Harold and Josephine Shank Trust Fund. Expenditures are based on the criteria established by the Will of Harold and Josephine Shank. Two-thirds of the funds are to be used for the maintenance of the Village emergency services (Johnson Township St. Paris EMS). One-third of the funds are to be used for the maintenance and purchase of trees for Harmon Park and the streets of the Village.

Agency Fund:

Mayor's Court Fund – This fund receives monies for court fees, fines, and forfeitures. These collections are remitted to the Village and the State of Ohio on a monthly basis.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 and Sewer Funds – These funds are used to account for proceeds from the water and sewer operations. The revenue is to be used to maintain plant operations and for water and sewer improvements.

Sewer Assessment Fund – This fund's revenue is derived from a monthly assessment on customers. The revenue is used for payment of debt and for maintenance of the sewer plant.

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of 2007 and 2006 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$ 889,381</u>	<u>\$ 724,724</u>

Deposits:

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) covered by specific collateral held by third party trustees.

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 as follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 411,201	\$ 496,321	\$ 85,120
Special Revenue	302,216	330,052	27,836
Enterprise Funds	1,433,263	1,458,667	25,404
Private Purpose Trust	243	2,094	1,851
Total	<u>\$ 2,146,923</u>	<u>\$ 2,287,134</u>	<u>\$ 140,211</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 542,885	\$ 540,796	\$ 2,089
Special Revenue	338,018	338,010	8
Enterprise Funds	1,195,044	1,195,044	0
Private Purpose Trust	1,416	1,416	0
Total	<u>\$ 2,077,363</u>	<u>\$ 2,075,266</u>	<u>\$ 2,097</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 456,215	\$ 460,305	\$ 4,090
Special Revenue	331,191	282,606	(48,585)
Enterprise Funds	516,251	582,150	65,899
Private Purpose Trust	1,170	1,684	514
Total	<u>\$ 1,304,827</u>	<u>\$ 1,326,745</u>	<u>\$ 21,918</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 648,835	\$ 523,622	\$ 125,213
Special Revenue	608,073	452,932	155,141
Enterprise Funds	739,224	572,655	166,569
Private Purpose Trust	996	996	0
Total	<u>\$ 1,997,128</u>	<u>\$ 1,550,205</u>	<u>\$ 446,923</u>

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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. Income Tax

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of actual taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual income taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

6. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Water Pollution Control Loan	\$ 60,977	2.00%
OPWC Huffman Drive Storm Sewer Loan	41,965	0.00%
First Central National Bank - Digester	38,694	5.25%
First Central National Bank – Water Line	15,055	4.25%
First Central National Bank - Water Meter	32,746	3.50%
First Central National Bank - Truck	18,136	4.00%
First Central National Bank - Backhoe	25,175	4.00%
First Central National Bank - Water Tower	582,431	5.00%
	<u>\$815,179</u>	

The Village received a loan from the Ohio Water Development Authority (OWDA) for the sewer plant project. Semi-annual principal and interest payments are \$38,757 through 2010.

The Village received an interest-free loan from the Ohio Public Works Commission (OPWC) for the Huffman Ditch Project. The loan requires semi-annual payments of \$3,815 through 2013.

The Village loan from First Central National Bank was a for digester equipment for the water plant. Interest is paid semi-annually with annual principal payments through 2009.

The Village loan from First Central National Bank was used to run water and sewer lines to the Core/Hepp Annexation. Semi-annual payments of principal and interest are \$2,128 through 2013.

The Village loan for a \$100,000 from First Central National Bank was to purchase water meter reading equipment. The loan is payable on demand, but if no demand is made, principal and interest payments of \$6,725 are due quarterly through 2009.

The Village loan of \$34,557 from First Central National Bank was to purchase a new truck for the street department. Payment is due on demand, but if no demand is made, payments of \$3,848 are due semi-annually through 2010.

The Village loan of \$45,000 from First Central National Bank was to purchase a backhoe for the sewer department. Payment is due on demand, but if no demand is made, interest is paid semi-annually with annual principal payments of \$9,000 through 2010.

The Village obtained a loan for up to \$600,000 of which \$582,431 was drawn in 2007, from First Central National Bank for a Water Tower Project. Interest is paid semi-annually with annual principal payments of \$29,122 through 2027.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

6. Debt (Continued)

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

Year Ending December 31:	OWDA	OPWC	Digester Loan	Water Line	Water Meter	Truck	Backhoe	Water Tower
2008	\$ 63,750	\$ 7,630	\$ 22,194	\$ 6,194	\$ 27,695	\$ 7,695	\$ 9,930	\$ 57,515
2009	0	7,630	19,503	6,195	5,895	7,695	9,652	56,059
2010	0	7,630	0	3,653	0	3,848	7,464	54,603
2011	0	7,630	0	0	0	0	0	53,147
2012	0	7,630	0	0	0	0	0	51,691
2013– 2017	0	3,815	0	0	0	0	0	236,615
2018 – 2022	0	0	0	0	0	0	0	200,213
2023 – 2027	0	0	0	0	0	0	0	163,801
Total	\$ 63,750	\$ 41,965	\$ 41,697	\$ 16,042	\$ 33,590	\$ 19,238	\$ 27,046	\$ 873,644

7. Retirement Systems

The Village’s law enforcement officers belong to either the Police & Firemen’s Disability & Pension Funds (PFDPF) or the Public Employees’ Retirement System (PERS). Other full-time employees belong to the Public Employees’ Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007, OPERS members contributed 9.5% of their gross salaries, and the Village contributed an amount equal to 13.85% of participants’ gross salaries. For 2006, OPERS members contributed 9.0% of their gross salaries, and the Village contributed an amount equal to 13.70% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2007.

8. Risk Management

The Village is insured through the Public Entities Pool of Ohio (PEP), an unincorporated non-profit association with 447 governmental entity members providing formalized, jointly administered self-insurance risk management program and other administrative services. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). The Village pays an annual contribution to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

8. Risk Management, continued

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2007 and 2006, the Village contracted for various types of insurance coverage as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
General Liability	\$1,000,000/\$3,000,000 ag
Vehicle	\$1,000,000
Errors and Omissions	\$1,000,000
Public Officials	\$1,000,000
Fidelity and Deposit	\$5,000/\$35,000 ag

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

8. Risk Management, continued

Financial Position

PEP's financial statements, audited by other accountants, are in conformity with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings as of December 31:

Casualty Coverage	2006	2005	
Assets	\$30,997,868	\$29,719,675	
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>	
Net Assets	<u>\$15,122,127</u>	<u>\$13,725,507</u>	
Property Coverage			
Assets	\$5,125,326	\$4,443,332	
Liabilities	<u>(863,163)</u>	<u>(1,068,246)</u>	
Net Assets	<u>\$4,262,163</u>	<u>\$3,375,086</u>	

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP sixty days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

The Village also provides health insurance and dental to full-time employees through a private carrier.

9. Reclassification of Funds

The Village's expendable trust fund was reclassified as a Private Purpose Trust. The Village previously included the Income Tax fund as an agency fund. This was reclassified and included in the General Fund.

The above resulted in the following reclassification of funds as of January 1, 2006:

	<u>Expendable Trust</u>	<u>Agency</u>	<u>General Fund</u>	<u>Private Purpose Trust</u>
Balance December 31	\$ 1,155	\$ 252,790	\$ 17,404	\$ 0
Reclassification	<u>(1,155)</u>	<u>(252,787)</u>	<u>252,787</u>	<u>1,155</u>
Balance January 1	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 270,191</u>	<u>\$ 1,155</u>

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

10. Contingent Litigation

Litigation

The Village is a defendant in a lawsuit. The Village has retained a legal firm to represent the interests of the Village in this litigation. The litigation is for corrective actions to solve drainage problem. The plaintiff is seeking damages in excess of \$25,000.

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MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

Village of Saint Paris
Champaign County
135 W. Main St.
Saint Paris, Ohio 43072

To the Village Council:

We have audited the financial statements of the Village of Saint Paris, Champaign County (the Village), as of and for the years ended December 31, 2007, and 2006, and have issued our report thereon dated August 11, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits 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 auditing procedures for expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be a significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

Internal Control Over Financial Reporting, (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We noted certain matters that we reported to the Village's management in a separate letter dated August 11, 2008.

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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001 and 2007-002.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 11, 2008.

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

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

Manning & Associates CPAs, LLC
Dayton, Ohio

August 11, 2008

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. These certificates need to be signed only by a subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$3,000 the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds by issuing Then and Now purchase orders for expenditures in excess of \$3,000.

Failure to properly certify the availability of funds can result in overspending available funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend that Village obtain approved purchase orders, including amounts, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Response: The Fiscal Officer will use then and now when deemed necessary as per ORC.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-002

Ohio Rev. Code, Section 135.18, requires that the Treasurer of a political subdivision must require a depository to provide a security in an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

Failure to adequately collateralize deposits can result in loss of funds. The Village should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

Response: The Village will maintain a depository agreement to cover funds in the accounts.

FINDING NUMBER 2007-003

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. The following misstatements were noted:

- A. Improper posting of revenues; miscellaneous receipts included debt proceeds for the Enterprise Funds.
- B. Capital Outlay was not properly posted in the Enterprise Funds
- C. Budgetary information reported did not agree with the amounts filed with the County Auditor.
- D. Reclassification of funds were required for expendable trust to Private Purpose Trust. The Income Tax fund was reclassified from an inappropriate Agency fund to the General Fund.
- E. Inventory records have not been updated.

All of these conditions resulted in inaccurate accounting records.

We recommend the Village review its postings and report the budgetary information as filed with the County Auditor. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where needed.

**VILLAGE OF SAINT PARIS
CHAMPAIGN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006

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

FINDING NUMBER 2007-004

Employment Status

The Village has a person who performs services for the Village in an administrative capacity as an independent contractor while using Village equipment to complete services, hours are set by the Village, and the person completes a timesheet. Per Internal Revenue Service (IRS) rulings, in most cases this person would be considered to be an employee of the Village and would be subject to various transaction types applying to (or entitled to) an employee of the Village (withholdings, leave, etc.)

The lack of proper classification of a person as an employee could lead to the absence of proper withholdings from the amounts paid, the absence of proper benefits and/or the absence of other benefits or responsibilities related to the relationship between an employer and employee.

Village council should consult with legal counsel concerning the status of the employee/employer relationship of the person in question. Also, insurance should be reviewed for bonding of this person.

Response: Council will review status, and determine if a change needs to be made.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SAINT PARIS
CHAMPAIGN 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
NOVEMBER 6, 2008