



Dave Yost • Auditor of State

VILLAGE OF NEW PARIS
PREBLE COUNTY

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Dave Yost • Auditor of State

Village of New Paris
Preble County
301 West Cherry Street
P.O. Box 147
New Paris, Ohio 45347

To the Village Council:

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

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

Dave Yost
Auditor of State

July 24, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Paris
Preble County
301 West Cherry 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 years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

As described in Note 1, during 2011 the Village of New Paris adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

July 24, 2012

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$125,712	\$20,841	\$146,553
Intergovernmental	87,489	89,572	177,061
Charges for Services	106		106
Fines, Licenses and Permits	4,982	185	5,167
Earnings on Investments	1,327	26	1,353
Miscellaneous	468	138	606
<i>Total Cash Receipts</i>	<u>220,084</u>	<u>110,762</u>	<u>330,846</u>
Cash Disbursements			
Current:			
Security of Persons and Property	17,285	118,835	136,120
Community Environment	2,224		2,224
Transportation		51,723	51,723
General Government	62,011		62,011
Capital Outlay	500		500
Debt Service:			
Principal Retirement	70,387	13,059	83,446
Interest and Fiscal Charges	4,275	1,951	6,226
<i>Total Cash Disbursements</i>	<u>156,682</u>	<u>185,568</u>	<u>342,250</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>63,402</u>	<u>(74,806)</u>	<u>(11,404)</u>
Other Financing Receipts (Disbursements)			
Loan Proceeds	67,643		67,643
Transfers In		105,220	105,220
Transfers Out	(106,483)		(106,483)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(38,840)</u>	<u>105,220</u>	<u>66,380</u>
<i>Net Change in Fund Cash Balances</i>	24,562	30,414	54,976
<i>Fund Cash Balances, January 1</i>	<u>48,978</u>	<u>41,644</u>	<u>90,622</u>
Fund Cash Balances, December 31			
Restricted		72,058	72,058
Unassigned (Deficit)	73,540		73,540
<i>Fund Cash Balances, December 31</i>	<u>\$73,540</u>	<u>\$72,058</u>	<u>\$145,598</u>

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

VILLAGE OF NEW PARIS
PREBLE COUNTY

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

Operating Cash Receipts	
Charges for Services	\$436,153
Miscellaneous	<u>7,846</u>
<i>Total Operating Cash Receipts</i>	<u>443,999</u>
Operating Cash Disbursements	
Personal Services	115,982
Employee Fringe Benefits	59,744
Contractual Services	81,708
Supplies and Materials	<u>48,051</u>
<i>Total Operating Cash Disbursements</i>	<u>305,485</u>
<i>Operating Income</i>	<u>138,514</u>
Non-Operating (Disbursements)	
Principal Retirement	(94,834)
Interest and Other Fiscal Charges	<u>(87,206)</u>
<i>Total Non-Operating (Disbursements)</i>	<u>(182,040)</u>
<i>(Loss) before Transfers</i>	(43,526)
Transfers In	124,705
Transfers Out	<u>(123,442)</u>
<i>Net Change in Fund Cash Balances</i>	(42,263)
<i>Fund Cash Balances, January 1</i>	<u>310,462</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$268,199</u></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
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$90,288	\$21,201	\$111,489
Intergovernmental	91,381	93,500	184,881
Special Assessments	14,401		14,401
Charges for Services	13		13
Fines, Licenses and Permits	7,968	35	8,003
Earnings on Investments	4,290	12	4,302
Miscellaneous	7,583	2,792	10,375
	<u>215,924</u>	<u>117,540</u>	<u>333,464</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	90,520	31,489	122,009
Community Environment	2,938		2,938
Transportation		60,364	60,364
General Government	77,421		77,421
Debt Service:			
Redemption of Principal	16,190	7,574	23,764
Interest and Fiscal Charges	5,645	1,447	7,092
Capital Outlay	24,592		24,592
	<u>217,306</u>	<u>100,874</u>	<u>318,180</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(1,382)</u>	<u>16,666</u>	<u>15,284</u>
Other Financing Receipts / (Disbursements):			
Loan Proceeds	27,000		27,000
Transfers-In		2,523	2,523
Transfers-Out	(6,743)		(6,743)
Advances-In	1,500	1,500	3,000
Advances-Out	(1,500)	(1,500)	(3,000)
	<u>20,257</u>	<u>2,523</u>	<u>22,780</u>
Total Other Financing Receipts / (Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	18,875	19,189	38,064
Fund Cash Balances, January 1	<u>30,103</u>	<u>22,455</u>	<u>52,558</u>
Fund Cash Balances, December 31	<u>\$48,978</u>	<u>\$41,644</u>	<u>\$90,622</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 - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Operating Cash Receipts:	
Charges for Services	\$421,478
Miscellaneous	708
	<hr/>
Total Operating Cash Receipts	422,186
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Operating Cash Disbursements:	
Personal Services	106,380
Employee Fringe Benefits	56,919
Contractual Services	73,945
Supplies and Materials	34,296
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Total Operating Cash Disbursements	271,540
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Operating Income	150,646
	<hr/>
Non-Operating Cash Disbursements:	
Capital Outlay	13,534
Redemption of Principal	94,101
Interest and Other Fiscal Charges	89,064
Other Non-Operating Cash Disbursements	43
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Total Non-Operating Cash Disbursements	196,742
	<hr/>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(46,096)
Transfers-In	128,372
Transfers-Out	(124,152)
	<hr/>
Net Receipts (Under) Disbursements	(41,876)
Fund Cash Balances, January 1	352,338
	<hr/>
Fund Cash Balances, December 31	<u><u>\$310,462</u></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, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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.

Investments in STAR Ohio are recorded at share values that STAR Ohio reports.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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

Police Special Levy Fund – This fund receives property tax money for providing police protection services.

3. Enterprise Funds

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

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

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

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 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. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village canceled \$2,625 in encumbrances at December 31, 2010 and re-encumbered these amounts in the subsequent year against current appropriations.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

VILLAGE OF NEW PARIS
PREBLE COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Village had had no fund balances in this classification.

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. The Village had had no fund balances in this classification.

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. The Village had had no fund balances in this classification.

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.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 and Investments

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$315,180	\$283,955
Certificates of deposit	83,934	72,718
Total deposits	<u>399,114</u>	<u>356,673</u>
STAR Ohio	14,683	44,411
Total deposits and investments	<u>\$413,797</u>	<u>\$401,084</u>

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

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

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,628	\$287,727	\$49,099
Special Revenue	464,975	215,982	(248,993)
Enterprise	623,101	568,704	(54,397)
Total	\$1,326,704	\$1,072,413	(\$254,291)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$251,778	\$263,165	(\$11,387)
Special Revenue	506,619	185,568	321,051
Enterprise	933,563	610,967	322,596
Total	\$1,691,960	\$1,059,700	\$632,260

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$242,548	\$242,924	\$376
Special Revenue	125,400	120,063	(5,337)
Enterprise	582,103	550,558	(31,545)
Total	\$950,051	\$913,545	(\$36,506)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$139,802	\$224,049	(\$84,247)
Special Revenue	145,869	100,874	44,995
Enterprise	935,217	592,434	342,783
Total	\$1,220,888	\$917,357	\$303,531

Contrary to Ohio law, expenditures exceeded appropriations for the General Fund at December 31, 2010 and General Fund and Police Fund at December 31, 2011.

Contrary to Ohio law, the Village failed to properly post estimated resources and appropriations to the accounting system.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 July 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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Mortgage Revenue Bonds	1,900,000	4.50%
Ohio Public Works Commission Loan (CT31C)	204,039	0.00%
Ohio Public Works Commission Loan (CK12J)	255,000	0.00%
Building Renovation Loan	67,643	5.75%
Cruiser Loan	21,969	3.50%
Sweeper Loan	8,516	6.00%
Total	<u><u>\$2,457,167</u></u>	

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 system. 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 Village was awarded \$680,130 by the Ohio Public Works Commission (OPWC) on July 1, 1999, for the water supply system project (CT31C). 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.

The Village was awarded \$550,000 by the Ohio Public Works Commission (OPWC) on July 1, 2006 for the wastewater sludge facility remodel and sewer rehabilitation project (CK12J). Of this money, \$250,000 was from a grant and \$300,000 was from a loan. The loan is being repaid in semiannual installments of \$7,500, over a total of 20 years (the first payment was made in December of 2008).

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

5. Debt (Continued)

The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Building Renovation Loan was received September 22, 2011 in the amount of \$67,643. This loan was used to renew the existing building renovation loan obtained in 2006. The loan will be repaid in annual installments of \$6,890, including interest, over four years with the balance due in the fifth year (the first payment is due September 2012). The loan is unsecured.

The Cruiser Loan was received November 15, 2010 in the amount of \$27,000. This loan was used to purchase a police cruiser and pay off the remaining balance on the prior cruiser loan obtained in 2007. The loan is being repaid in annual installments of \$5,989, including interest, over a total of five years (the first payment was made in November 2011). The police cruiser serves as collateral for the loan.

The Sweeper Loan was received July 3, 2007 in the amount of \$38,000. This loan was used to purchase a street sweeper for the Village. The loan is being repaid in annual installments of \$9,021, including interest, over a total of five years (the first payment was made April 2008). The street sweeper serves as collateral for the loan.

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

Year ending December 31:	Water System		
	Revenue Bonds	OPWC Loan CT31C	OPWC Loan CK12J
2012	\$115,734	\$17,003	\$15,000
2013	114,150	17,003	15,000
2014	112,800	17,003	15,000
2015	111,450	17,003	15,000
2016	110,319	17,003	15,000
2017-2021	562,978	85,017	75,000
2022-2026	566,832	34,007	75,000
2027-2031	568,982		30,000
2032-2036	566,820		
2037-2041	566,650		
2042-2043	229,625		
Total	<u>\$3,626,340</u>	<u>\$204,039</u>	<u>\$255,000</u>

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

5. Debt (Continued)

Year ending December 31:	Building Renovation Loan	Cruiser Loan	Sweeper Loan
2012	\$6,890	\$5,989	\$9,021
2013	6,890	5,989	
2014	6,890	5,989	
2015	6,890	5,989	
2016	58,003		
Total	<u>\$85,563</u>	<u>\$23,956</u>	<u>\$9,021</u>

At December 31, 2009 the Village had outstanding principal of \$74,928 on an Ohio Water Development Authority loan. This loan was paid in full in 2011.

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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System (OPERS) have an option to choose Social Security. The employees' liability was 6.2% of wages paid during 2010 and 4.2% of wages paid during 2011. As of December 31, 2011 all payments have been made.

7. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

7. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$14,663.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>
\$16,496	\$16,743

VILLAGE OF NEW PARIS
PREBLE COUNTY

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

7. Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Dave Yost • Auditor of State

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

Village of New Paris
Preble County
301 West Cherry Street
P.O. Box 147
New Paris, Ohio 45347

To the Village Council:

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

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-02 and 2011-03 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

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

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



Dave Yost
Auditor of State

July 24, 2012

**VILLAGE OF NEW PARIS
PREBLE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Noncompliance

Ohio Revised Code, Section 5705.41(B), states that no subdivision or taxing unit shall expend money unless it has been appropriated as provided in Chapter 5705. Expenditures exceeded appropriations as follows:

Fund	Expenditures	Appropriations	Variance
General Fund at December 31, 2010	\$224,049	\$139,802	\$84,247
General Fund at December 31, 2011	263,165	251,778	11,387
Police Fund at December 31, 2011	124,824	123,350	1,474

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend that the Village limit expenditures to the appropriated amount. The Fiscal Officer should deny any payments until Council has approved the necessary changes to the appropriation measure.

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2011-02

Material Weakness & Noncompliance

Ohio Administrative Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.

The Village failed to accurately post estimated resources and appropriations to the accounting system as follows:

Fund	Estimated Resources per Final Certificate of Estimate Resource	Estimated Resources Posted to the Village's Accounting System	Variance
Police – 2010	\$30,600	\$33,201	\$(2,601)
General – 2011	238,628	239,601	(973)
Police – 2011	120,175	135,175	(15,000)

**FINDING NUMBER 2011-02
 (Continued)**

Fund	Final Appropriations	Appropriations Posted to the Village's Accounting System	Variance
General – 2010	\$139,802	\$271,861	\$(132,059)
Police – 2010	31,981	36,582	(4,601)
General – 2011	251,778	288,606	(36,828)
Police - 2011	123,350	138,350	(15,000)

Failure to accurately post estimated receipts and appropriations limits management's ability to monitor the Village budget and could result in excessive spending and possible negative fund balances. We recommend the Village properly post estimated receipts and appropriations to their accounting system. Once posted, the Fiscal Officer and Council should compare the estimated resources and appropriations on the accounting system to the official documents.

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2011-03

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village lacks management oversight in the posting of financial activity. This lack of oversight is illustrated by the following conditions:

- In 2010 the Village posted special assessments to Fines, Licenses & Permits rather than Special Assessments (\$14,401) in the General Fund.
- In 2011 the Village posted cable franchise fees (\$19,316) to Intergovernmental rather than Fines, Licenses & Permits in the General Fund.
- In 2011 the Village renewed a loan for building renovation (\$67,643). However, the Village failed to post the Loan Proceeds and Debt Service-Principal to the General Fund in the accounting system.
- For both 2010 and 2011 the Village posted debt service payments in the Water Fund entirely to Interest & Other Fiscal Charges rather than to Debt Service-Principal (\$17,003 each year).

These adjustments have been posted to the accompanying financial statements. Failure to properly post revenues and expenditures results in inaccurate records and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner. To improve accountability and record keeping, we recommend that the Village accurately post all cable franchise fee and special assessment receipts to the correct line items. The Village should review receipts posted to the ledgers for accuracy. Comparisons between years may aid in determining that the Village has properly posted a receipt. The Village should properly allocate debt service payments to debt service-principal and debt service-interest. The Village should record debt proceeds and debt service payments when loans are renewed.

**FINDING NUMBER 2011-03
(Continued)**

Officials' Response:

Officials did not provide a response to this finding.

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**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Failure to properly record financial activity	No	Partially Corrected; re-issued as Finding 2011-04 and management letter recommendation
2009-002	Ohio Rev. Code Section 5705.36(A)(4), appropriations exceeded available resources	Yes	

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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
AUGUST 14, 2012