VILLAGE OF NEW PARIS
PREBLE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006

Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW PARIS
PREBLE COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

Village of New Paris
Preble County
301 W. Cherry Street
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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 7, 2008

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Paris
Preble County
301 W. 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, 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. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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 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 of the Village of New Paris, Preble County, Ohio, 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 our report dated November 7, 2008, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 7, 2008

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, 2007

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	$56,574	$22,444	$79,018
Intergovernmental	112,992	137,582	250,574
Charges for Services	33	0	33
Fines, Licenses and Permits	13,598	763	14,361
Earnings on Investments	28,231	1,180	29,411
Miscellaneous	2,704	441	3,145
Total Cash Receipts	214,132	162,410	376,542
Cash Disbursements:			
Current:			
Security of Persons and Property	100,635	31,548	132,183
Leisure Time Activities	0	851	851
Community Environment	2,216	0	2,216
Transportation	0	43,769	43,769
General Government	104,324	0	104,324
Debt Service:			
Redemption of Principal	2,160	0	2,160
Interest and Fiscal Charges	4,859	0	4,859
Capital Outlay	0	110,192	110,192
Total Cash Disbursements	214,194	186,360	400,554
Total Receipts (Under) Disbursements	(62)	(23,950)	(24,012)
Other Financing Receipts / (Disbursements):			
Other Debt Proceeds	21,434	38,000	59,434
Transfers-In	0	163	163
Transfers-Out	(25,972)	0	(25,972)
Other Financing Uses	(9,170)	(3,655)	(12,825)
Total Other Financing Receipts / (Disbursements)	(13,708)	34,508	20,800
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,770)	10,558	(3,212)
Fund Cash Balances, January 1	115,079	71,057	186,136
Fund Cash Balances, December 31	**$101,309**	**$81,615**	**$182,924**

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, 2007

Operating Cash Receipts:	
Charges for Services	$432,085
Miscellaneous	6,051
Total Operating Cash Receipts	438,136
Operating Cash Disbursements:	
Personal Services	107,460
Employee Fringe Benefits	36,989
Contractual Services	82,324
Supplies and Materials	24,283
Total Operating Cash Disbursements	251,056
Operating Income	187,080
Non-Operating Cash Receipts:	
Intergovernmental	13,248
Total Non-Operating Cash Receipts	13,248
Non-Operating Cash Disbursements:	
Capital Outlay	20,620
Redemption of Principal	76,951
Interest and Other Fiscal Charges	94,364
Other Non-Operating Cash Disbursements	19,575
Total Non-Operating Cash Disbursements	211,510
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(11,182)
Transfers-In	152,319
Transfers-Out	(126,510)
Net Receipts Over Disbursements	14,627
Fund Cash Balances, January 1	508,632
Fund Cash Balances, December 31	**$523,259**

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, 2006

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	$57,771	$23,035	$80,806
Intergovernmental	92,442	686,657	779,099
Charges for Services	8	0	8
Fines, Licenses and Permits	10,777	527	11,304
Earnings on Investments	25,348	1,056	26,404
Miscellaneous	173	18	191
Total Cash Receipts	186,519	711,293	897,812
Cash Disbursements:			
Current:			
Security of Persons and Property	80,135	15,301	95,436
Community Environment	1,296	0	1,296
Transportation	0	56,910	56,910
General Government	72,938	41	72,979
Capital Outlay	0	649,166	649,166
Total Cash Disbursements	154,369	721,418	875,787
Total Receipts Over/(Under) Disbursements	32,150	(10,125)	22,025
Other Financing Receipts / (Disbursements):			
Other Debt Proceeds	80,000	0	80,000
Transfers-In	0	630	630
Transfers-Out	(24,201)	0	(24,201)
Other Financing Uses	(706)	(5,029)	(5,735)
Total Other Financing Receipts / (Disbursements)	55,093	(4,399)	50,694
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	87,243	(14,524)	72,719
Fund Cash Balances, January 1	27,836	85,581	113,417
Fund Cash Balances, December 31	**$115,079**	**$71,057**	**$186,136**

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, 2006

Operating Cash Receipts:	
Charges for Services	$428,540
Miscellaneous	704
Total Operating Cash Receipts	429,244
Operating Cash Disbursements:	
Personal Services	104,488
Employee Fringe Benefits	34,375
Contractual Services	77,703
Supplies and Materials	24,373
Total Operating Cash Disbursements	240,939
Operating Income	188,305
Non-Operating Cash Disbursements:	
Capital Outlay	4,671
Redemption of Principal	71,262
Interest and Other Fiscal Charges	95,953
Other Non-Operating Cash Disbursements	2,139
Total Non-Operating Cash Disbursements	174,025
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	14,280
Transfers-In	147,644
Transfers-Out	(124,073)
Net Receipts Over Disbursements	37,851
Fund Cash Balances, January 1	470,781
Fund Cash Balances, December 31	**$508,632**

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

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'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. Cash 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:

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

1. Summary of Significant Accounting Policies (Continued)

Policy Levy Fund -This fund receives property tax money for the security of persons and property.

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 $2,600 in encumbrances at December 31, 2006, and $2,600 in encumbrances at December 31, 2007, and re-encumbered these amounts in the subsequent years against current appropriations. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. 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.

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. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	$663,047	$653,751
Total deposits	663,047	653,751
STAR Ohio	43,136	41,017
Total investments	43,136	41,017
Total deposits and investments	$706,183	$694,768

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

During the audit period, up to $84,772 of deposits were not insured or collateralized, contrary to Ohio law.

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 years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$241,588	$235,566	($6,022)
Special Revenue	299,840	200,573	(99,267)
Enterprise	630,238	603,703	(26,535)
Total	$1,171,666	$1,039,842	($131,824)

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$315,276	$249,336	$65,940
Special Revenue	325,609	190,015	135,594
Enterprise	1,675,623	589,076	1,086,547
Total	$2,316,508	$1,028,427	$1,288,081

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$273,600	$266,519	($7,081)
Special Revenue	712,350	711,923	(427)
Enterprise	605,130	576,888	(28,242)
Total	$1,591,080	$1,555,330	($35,750)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$301,516	$179,276	$122,240
Special Revenue	797,848	726,447	71,401
Enterprise	1,075,912	539,037	536,875
Total	$2,175,276	$1,444,760	$730,516

Contrary to Ohio law, estimated receipts exceeded actual receipts and the deficiency reduced available resources below the level of current appropriations in the Street Construction, Maintenance, and Repair Fund, State Highway Improvement Fund, Drug Law Enforcement Fund, Water Fund, Sewer Fund, and Enterprise Debt Service Fund for the year ended December 31, 2007 and in the General, State Highway Improvement Fund, Police Levy Fund, Drug Law Enforcement Fund, Water Fund, and Sewer Fund for the year ended December 31, 2006.

Also contrary to Ohio law, at December 31, 2007, the Sewer Fund had appropriations exceeding estimated revenue at in the amount of $535,452.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

4. Property Tax (Continued)

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, 2007 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	$146,944	2.00%
Ohio Public Works Commission Loan-Water	263,550	0.00%
Water System Mortgage Revenue Bonds	1,995,000	4.50%
Building Renovation Loan	77,840	5.99%
Cruiser Loan	21,434	6.00%
Sweeper Loan	38,000	6.00%
Total	$2,542,768	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project. The OWDA loaned $630,607 to the Village for Project 2426. 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.

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 Building Renovation Loan was received September 22, 2006 in the amount of $80,000. This loan was used to finance the renovations made to the Village Office Building. The loan is being repaid in annual installments of $7,019, including interest, over a total of 20 years (the first payment was made in September 2007). The Village Office Building serves as collateral for the loan.

5. Debt (Continued)

The Cruiser Loan was received March 23, 2007 in the amount of $21,434. This loan was used to purchase a police cruiser. The loan is being repaid in annual installments of $5,089, including interest, over a total of five years (the first payment was made in March 2008). 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:	OWDA Loan	OPWC Water Loan	Water System Revenue Bonds
2008	$38,412	$8,503	$110,021
2009	38,412	17,003	113,875
2010	38,412	17,003	112,750
2011	38,412	17,003	111,625
2012	19,206	17,003	115,734
2013 – 2017		85,016	562,469
2018 – 2022		85,016	564,653
2023 – 2027		17,003	566,257
2028 – 2032			565,835
2033 – 2037			570,267
2038 – 2042			566,176
2043			114,950
Total	$172,854	$263,550	$4,074,612

Year ending December 31:	Building Renovation Loan	Cruiser Loan	Sweeper Loan
2008	$7,019	$5,089	$9,021
2009	7,019	5,089	9,021
2010	7,019	5,089	9,021
2011	7,019	5,089	9,021
2012	7,019	5,084	9,021
2013 – 2017	35,094		
2018 – 2022	35,094		
2023 – 2026	28,076		
Total	$133,359	$25,440	$45,105

6. Retirement Systems

The Village's law enforcement 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 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System (OPERS) have an option to choose Social Security. As of December 31, 2007, the remaining employees of the Village have elected Social Security. The employees' liability is 6.2 percent of wages paid. As of December 31, 2007 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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 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.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each 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 (prior to January 1, 2006) or $3,000,000 (on or subsequent to January 1, 2006) as noted above.

7. Risk Management (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. This amount was increased to $300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 in 2006, or $100,000 and $300,000 in 2007, Travelers will then reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 was $2,014,548.

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.

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, 2007 and 2006:

	2007	2006
Assets	$37,560,071	$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	$20,219,246	$19,384,290

At December 31, 2007 and 2006, respectively, the liabilities above include approximately $15.9 million and $15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $15.0 million and $14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately $19,288. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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.

7. Risk Management (Continued)

Contributions to PEP	
2005	$16,429
2006	$15,425
2007	$16,772

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

8. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Subsequent Event

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. Of this money, $250,000 was from a grant and $300,000 was from a loan. The loan is to be repaid in semiannual payments of $7,500, over a total of 20 years (the first payment was to be paid in July 2008). As of December 31, 2007, no loan proceeds had been received yet.

10. Noncompliance

Contrary to Ohio law, the Village did not properly post taxes, intergovernmental revenue, and franchise fees.

This page intentionally left blank.

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 W. Cherry Street
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, 2007 and 2006, and have issued our report thereon dated November 7, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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 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 expressing our opinions 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 identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-004.

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 the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated November 7, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 7, 2008.

We intend this report solely for the information and use of the audit committee, management, the Village Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 7, 2008

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

FINDING NUMBER 2007-001

Material Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

   Amounts of less than $3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not follow established procedures for certifying expenditures. Of 40 expenditures (20 in each year) tested, the Village did not properly certify 30% in 2006 and 10% in 2007. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

FINDING NUMBER 2007-001
(Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

We reported this item in the management letter for the audit of the fiscal year 2005 financial statements.

FINDING NUMBER 2007-002

Material Noncompliance

Ohio Rev. Code, Section 5705.36(A)(4), requires that, upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in the official certificate, and that the amount of the deficiency will reduce available resources below the current level of appropriations, the fiscal officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2007 and 2006 estimated receipts exceeded actual receipts in several funds. Furthermore, the deficiency reduced available resources below the current level of the appropriations and the fiscal officer did not certify the deficiency to reduce the official certificate as follows:

Year	Fund	Appropriations	Available Resources	Variance
2007	Street Construction	$271,601	$214,197	$57,404
2007	State Highway	10,081	8,854	1,227
2007	Drug Law Enforcement	2,507	1,270	1,237
2007	Water Operating	522,927	506,670	16,257
2007	Sewer Operating	971,119	426,370	544,749
2007	Enterprise Debt Service	135,217	134,237	980
2006	General	301,516	294,435	7,081
2006	State Highway	20,542	20,312	230
2006	Police Levy	30,733	28,194	2,539
2006	Drug Law Enforcement	2,235	762	1,473
2006	Water Operating	519,005	499,929	19,076
2006	Sewer Operating	391,663	381,854	9,809

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriations can result in overspending and negative fund balances. We recommend that the Village monitor estimated and actual receipts and obtain amendments when required.

FINDING NUMBER 2007-003

Material Noncompliance

Ohio Rev. Code, Section 5705.39, provides, in part, that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Sewer Operating Fund had appropriations exceeding estimated revenue at December 31, 2007 in the amount of $535,452. The Village did not properly monitor budgetary activity during the audit period. Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that the Village monitor their appropriations versus their estimated resources. We also recommend that the Village execute all budgetary documents required by the Ohio Revised Code so that all budgetary documents are effective.

FINDING NUMBER 2007-004

Material Noncompliance/Significant Deficiency

Ohio Admin. Code, Section 117-2-01(D), states that when designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Village lacked management oversight in the proper posting of taxes, intergovernmental revenue and franchise fees. The Village incorrectly posted:

- Local Government Intangible receipts in the General Fund to Taxes instead of Intergovernmental in 2006 ($74) and 2007 ($184)
- Water and Sewer Fund Special Assessments (delinquent accounts) in Miscellaneous instead of Charges for Services in 2006 ($2,683) and 2007 ($1,897)
- Trailer Tax Homestead & Rollback in the General and Police Funds received from the County as Taxes instead of Intergovernmental in 2007 ($136)
- Electric & Natural Gas Deregulation Reimbursements in the General and Police Funds as Miscellaneous instead of Intergovernmental in 2006 ($2,092) and 2007 ($1,777). Also in 2006, they were posted entirely to the General Fund instead of being divided between the General and Police Fund.
- All Tangible Personal Property Tax Reimbursements in the General and Police Funds to Taxes instead of Intergovernmental in 2007 ($2,845) along with two Reimbursements in 2006 ($869)
- Three Homestead & Rollback receipts in the General and Police Funds to Taxes instead of Intergovernmental in 2007 ($8,769) and one in 2006 ($4,349). In addition, the 2 ½ % Rollbacks were posted all to General Fund instead of being divided between the General and Police Fund in 2007
- One Personal Property Tax receipt in the General and Police Funds at net instead of gross in 2006 ($4,365)
- One Permissive Tax receipt in 2006 ($1,770) to the Street Fund instead of being divided between the Street and State Highway Fund.
- Franchise fees in the General Fund as Miscellaneous instead of Fines, Licenses, and Permits in 2006 ($8,730) and in 2007 ($9,626)

FINDING NUMBER 2007-004
(Continued)

The Village made audit adjustments to the accompanying financial statements for the above items. We reported this item in the management letter for the audit of the fiscal year 2005 financial statements.

The Village lacked management oversight in the proper posting of capital outlay expenditures. The Village incorrectly posted:

- New cruiser radios purchased in 2007 in the General Fund to Security of Persons and Property instead of Capital Outlay ($3,452)
- Water lines and sewer repairs in the Water and Sewer Funds in 2007 to Contingencies/Other Financing Sources instead of Capital Outlay ($11,470). In addition, per the Village Chart of Accounts, the Contingencies account is an appropriation account only and no expenditures should be charged here. Appropriations in this account should be moved to the appropriate function for each disbursement before issuing payments.

The Village did not make these audit adjustments to the accompanying financial statements for the above items because they were not material.

The Village lacked management oversight in the proper posting of debt activity. The Village incorrectly posted:

- USDA Bond Interest payments in the Water and Enterprise Debt Service Funds to Principal instead of Interest in 2006 ($91,800) and 2007 ($90,900).
- OPWC Loan Principal payments in the Water and Enterprise Debt Service Funds to Other Debt Service instead of Principal in 2006 ($17,003) and 2007 ($17,003).
- Loan proceeds for the Cruiser Loan in the General Fund ($21,434) and Sweeper Loan in the Street Fund ($38,000) to Other Financing Sources instead of Other Debt Proceeds in 2007.
- OWDA Loan Principal payments in the Sewer Fund to Other Debt Service instead of being posted to Principal in 2007 ($34,602).
- ENB Building Renovation Loan payments in the General Fund to Capital Outlay instead of being allocated into Interest and Principal in 2007 ($7,019).

The Village made the audit adjustments to the accompanying financial statements for the above items.

Failure to properly post revenue and expenditures can result in inaccurate records and cause the Village to misappropriate funds. We recommend the Village properly post receipts and expenditures. The Village should review receipts and expenditures posted to the ledgers for accuracy. Comparisons between years may aid in the proper posting of receipts and expenditures. To improve accountability and record keeping, we recommend that the Village use due care in posting financial activity to the Village's books.

FINDING NUMBER 2007-005

Material Noncompliance

Ohio Rev. Code, Section 135.18, states that the treasurer, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The Village did not properly monitor their bank account balances. During the audit period deposits exceeded legal security (FDIC and letter of credit) by up to $84,772. 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.

We reported this item in the management letter for the audit of the fiscal year 2005 financial statements.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

Mary Taylor, CPA
Auditor of State

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
DECEMBER 2, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us