



Dave Yost • Auditor of State

VILLAGE OF NEW PARIS
PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of New Paris, Preble County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2014

**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, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$62,185	\$20,143	\$82,328
Municipal Income Tax	93,864		93,864
Intergovernmental	60,474	349,063	409,537
Charges for Services	2,406		2,406
Fines, Licenses and Permits	25,294	150	25,444
Earnings on Investments	318	48	366
Miscellaneous	4,101	75	4,176
Total Cash Receipts	<u>248,642</u>	<u>369,479</u>	<u>618,121</u>
Cash Disbursements:			
Current:			
Security of Persons and Property		143,835	143,835
Public Health Services	750		750
Community Environment	3,301		3,301
Transportation		64,110	64,110
General Government	69,611		69,611
Capital Outlay	1,932	409,210	411,142
Debt Service:			
Principal Retirement	3,117	5,394	8,511
Interest and Fiscal Charges	3,772	595	4,367
Total Cash Disbursements	<u>82,483</u>	<u>623,144</u>	<u>705,627</u>
Excess of Receipts Over (Under) Disbursements	<u>166,159</u>	<u>(253,665)</u>	<u>(87,506)</u>
Other Financing Receipts (Disbursements):			
Loan Proceeds		67,630	67,630
Transfers In		130,064	130,064
Transfers Out	(130,336)		(130,336)
Other Financing Sources	200		200
Other Financing Uses	(3,000)		(3,000)
Total Other Financing Receipts (Disbursements)	<u>(133,136)</u>	<u>197,694</u>	<u>64,558</u>
Net Change in Fund Cash Balances	33,023	(55,971)	(22,948)
Fund Cash Balances, January 1	<u>49,123</u>	<u>97,247</u>	<u>146,370</u>
Fund Cash Balances, December 31:			
Restricted	6,900	41,276	48,176
Assigned	75,246		75,246
Fund Cash Balances, December 31	<u>\$82,146</u>	<u>\$41,276</u>	<u>\$123,422</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$435,923		\$435,923
Miscellaneous	5,580		5,580
Total Operating Cash Receipts	<u>441,503</u>		<u>441,503</u>
Operating Cash Disbursements:			
Personal Services	110,842		110,842
Employee Fringe Benefits	65,384		65,384
Contractual Services	70,516		70,516
Supplies and Materials	31,885		31,885
Total Operating Cash Disbursements	<u>278,627</u>		<u>278,627</u>
Operating Income (Loss)	<u>162,876</u>		<u>162,876</u>
Non-Operating Receipts (Disbursements):			
Other Non-Operating Receipts		\$12,660	12,660
Other Non-Operating Disbursements		(13,341)	(13,341)
Principal Retirement	(67,003)		(67,003)
Interest and Other Fiscal Charges	(79,150)		(79,150)
Total Non-Operating Receipts (Disbursements)	<u>(146,153)</u>	<u>(681)</u>	<u>(146,834)</u>
Income (Loss) before Transfers	16,723	(681)	16,042
Transfers In	149,334		149,334
Transfers Out	<u>(149,062)</u>		<u>(149,062)</u>
Net Change in Fund Cash Balances	16,995	(681)	16,314
Fund Cash Balances, January 1	<u>246,790</u>	<u>3,785</u>	<u>250,575</u>
Fund Cash Balances, December 31	<u><u>\$263,785</u></u>	<u><u>\$3,104</u></u>	<u><u>\$266,889</u></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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$65,798	\$21,188	\$86,986
Municipal Income Tax	1,114		1,114
Intergovernmental	65,020	93,733	158,753
Charges for Services	159		159
Fines, Licenses and Permits	26,961	50	27,011
Earnings on Investments	748	37	785
Miscellaneous	3,516		3,516
Total Cash Receipts	<u>163,316</u>	<u>115,008</u>	<u>278,324</u>
Cash Disbursements:			
Current:			
Security of Persons and Property		135,533	135,533
Public Health Services	750		750
Community Environment	3,190		3,190
Transportation		50,160	50,160
General Government	64,669		64,669
Capital Outlay	482		482
Debt Service:			
Principal Retirement	2,935	13,718	16,653
Interest and Fiscal Charges	3,954	1,295	5,249
Total Cash Disbursements	<u>75,980</u>	<u>200,706</u>	<u>276,686</u>
Excess of Receipts Over (Under) Disbursements	<u>87,336</u>	<u>(85,698)</u>	<u>1,638</u>
Other Financing Receipts (Disbursements):			
Transfers In		110,887	110,887
Transfers Out	(111,595)		(111,595)
Other Financing Uses	(158)		(158)
Total Other Financing Receipts (Disbursements)	<u>(111,753)</u>	<u>110,887</u>	<u>(866)</u>
Net Change in Fund Cash Balances	(24,417)	25,189	772
Fund Cash Balances, January 1	<u>73,540</u>	<u>72,058</u>	<u>145,598</u>
Fund Cash Balances, December 31:			
Restricted	6,900	97,247	104,147
Assigned	42,223		42,223
Fund Cash Balances, December 31	<u>\$49,123</u>	<u>\$97,247</u>	<u>\$146,370</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$435,315		\$435,315
Miscellaneous	4,580		4,580
Total Operating Cash Receipts	<u>439,895</u>		<u>439,895</u>
Operating Cash Disbursements:			
Personal Services	118,016		118,016
Employee Fringe Benefits	64,159		64,159
Contractual Services	92,809		92,809
Supplies and Materials	39,473		39,473
Total Operating Cash Disbursements	<u>314,457</u>		<u>314,457</u>
Operating Income (Loss)	<u>125,438</u>		<u>125,438</u>
Non-Operating Receipts (Disbursements):			
Other Non-Operating Receipts		\$9,002	9,002
Other Non-Operating Disbursements		(5,217)	(5,217)
Principal Retirement	(62,003)		(62,003)
Interest and Other Fiscal Charges	(85,500)		(85,500)
Other Financing Uses	(52)		(52)
Total Non-Operating Receipts (Disbursements)	<u>(147,555)</u>	<u>3,785</u>	<u>(143,770)</u>
Income (Loss) before Transfers	(22,117)	3,785	(18,332)
Transfers In	127,548		127,548
Transfers Out	<u>(126,840)</u>		<u>(126,840)</u>
Net Change in Fund Cash Balances	(21,409)	3,785	(17,624)
Fund Cash Balances, January 1	<u>268,199</u>		<u>268,199</u>
Fund Cash Balances, December 31	<u>\$246,790</u>	<u>\$3,785</u>	<u>\$250,575</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, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Paris, Preble County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, 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 8 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

4. Fiduciary Fund

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for employee health reimbursement activity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. 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 approve estimated resources.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact. The Village did not have any non-spendable fund balance.

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 did not have any committed fund balance.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS 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:

	2013	2012
Demand deposits	\$339,367	\$218,930
Certificates of deposit		95,608
Other time deposits (savings and NOW accounts)	36,245	67,713
Total deposits	375,612	382,251
STAR Ohio	14,699	14,694
Total deposits and investments	\$390,311	\$396,945

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$252,089	\$248,842	(\$3,247)
Special Revenue	594,072	567,173	(26,899)
Enterprise	665,914	590,837	(75,077)
Total	\$1,512,075	\$1,406,852	(\$105,223)

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$301,212	\$215,819	\$85,393
Special Revenue	691,320	623,144	68,176
Enterprise	912,704	573,842	338,862
Total	<u>\$1,905,236</u>	<u>\$1,412,805</u>	<u>\$492,431</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,150	\$163,316	(\$23,834)
Special Revenue	228,875	225,895	(2,980)
Enterprise	596,561	567,443	(29,118)
Total	<u>\$1,012,586</u>	<u>\$956,654</u>	<u>(\$55,932)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,690	\$187,733	\$72,957
Special Revenue	300,933	200,706	100,227
Enterprise	864,761	588,852	275,909
Total	<u>\$1,426,384</u>	<u>\$977,291</u>	<u>\$449,093</u>

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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

Effective October 1, 2012, the Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Mortgage Revenue Bonds	\$1,835,000	4.50%
Ohio Public Works Commission Loan (CT31C)	170,032	0.00%
Ohio Public Works Commission Loan (CK12J)	225,000	0.00%
Building Renovation Loan	61,590	5.75%
Cruiser Loan	11,369	3.50%
Dump Truck Loan	52,523	3.50%
Gator Loan	15,107	3.50%
Total	<u>\$2,370,621</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). 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 was made in 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 Dump Truck Loan was received June 21, 2013 in the amount of \$52,523. This loan was used to purchase a dump truck for the Village. The loan is being repaid in annual installments of \$9,873, including interest, over a total of six years (the first payment was due June 21, 2014). The dump truck serves as collateral for the loan.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

6. DEBT (Continued)

The Gator Loan was received May 14, 2013 in the amount of \$15,107. This loan was used to purchase a John Deere Gator for the Village. The loan is being repaid in annual installments of \$3,351, including interest, over a total of five years (the first payment was due May 14, 2014). The Gator serves as collateral for the loan.

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

<u>Year ending December 31:</u>	<u>Water System Revenue Bonds</u>	<u>OPWC Loan CT31C</u>	<u>OPWC Loan CK12J</u>
2014	\$112,800	\$17,003	\$15,000
2015	111,450	17,003	15,000
2016	110,319	17,003	15,000
2017	113,750	17,003	15,000
2018	112,175	17,003	15,000
2019-2023	565,878	85,017	75,000
2024-2028	565,389		75,000
2029-2033	566,953		
2034-2038	567,942		
2039-2043	569,800		
Total	<u>\$3,396,456</u>	<u>\$170,032</u>	<u>\$225,000</u>

<u>Year ending December 31:</u>	<u>Building Renovation Loan</u>	<u>Cruiser Loan</u>	<u>Dump Truck Loan</u>	<u>Gator Loan</u>
2014	\$6,890	\$5,989	\$9,873	\$3,351
2015	6,890	5,989	9,873	3,351
2016	58,003		9,873	3,351
2017			9,873	3,351
2018			9,873	3,351
2019-2023			9,873	
Total	<u>\$71,783</u>	<u>\$11,978</u>	<u>\$59,238</u>	<u>\$16,755</u>

At December 31, 2011 the Village had an outstanding principal balance of \$8,516 for the Sweeper Loan. This loan was paid in full during the audit period.

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages [10.75% effective July 1, 2013]. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

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 during 2012 and 2013. As of December 31, 2013 all payments have been made.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

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

8. 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.

A. 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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 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.

B. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

	2012	2013
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	\$20,181,216	\$21,651,689

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$13,000.

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.

VILLAGE OF NEW PARIS
PREBLE COUNTY

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

8. RISK MANAGEMENT (Continued)

Contributions to PEP	
2012	2013
<u>\$17,628</u>	<u>\$18,787</u>

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.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of New Paris, Preble County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 25, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2014

**VILLAGE OF NEW PARIS
PREBLE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

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 did not properly post financial activity as follows:

- In 2012 the Village posted cable franchise fees (\$19,049) to Intergovernmental and Taxes rather than Fines, Licenses & Permits in the General Fund.
- In 2013 the Village posted cable franchise fees (\$17,668) to Taxes rather than Fines, Licenses & Permits in the General Fund.
- In 2012 the Village posted debt service payments in the Water Fund entirely to Interest & Other Fiscal Charges rather than to Debt Service-Principal (\$17,003).

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 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 also properly allocate debt service payments to debt service-principal and debt service-interest.

FINDING NUMBER 2013-002

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 should include all accounts of which it has custody on bank reconciliations. The Village is custodian of an HRA health insurance bank account. There was no evidence this account was being reconciled. This could lead to inaccuracies in account activity going undetected or misappropriation of funds. We recommend the District begin reconciling this account. Adjustments were made to the accompanying financial statements, but not the Village's accounting system.

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code § 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: 4 of 21 (19%) transactions tested were not properly certified. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 Fiscal Officer 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.

**FINDING NUMBER 2013-003
(Continued)**

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.

Officials' Response:

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

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriations	Yes	
2011-02	Budgetary activity was not properly posted to the accounting system	Yes	
2011-03	Financial activity was not properly posted to the accounting system	No	Not corrected; reissued as Finding 2013-001



Dave Yost • 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
OCTOBER 21, 2014**