



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW PARIS
PREBLE COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 22, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of New Paris, Preble County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008. 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. 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, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008, 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 June 22, 2010, 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, CPA
Auditor of State

June 22, 2010

**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, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$61,017	\$21,581	\$82,598
Intergovernmental	82,174	414,294	496,468
Charges for Services	274		274
Fines, Licenses and Permits	4,801	515	5,316
Earnings on Investments	5,140	63	5,203
Miscellaneous	1,272	18	1,290
	<u>154,678</u>	<u>436,471</u>	<u>591,149</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	75,304	29,500	104,804
Community Environment	2,698		2,698
Transportation		46,631	46,631
General Government	52,717		52,717
Debt Service:			
Redemption of Principal	6,464	7,140	13,604
Interest and Fiscal Charges	5,644	1,881	7,525
Capital Outlay	5,831	362,585	368,416
	<u>148,658</u>	<u>447,737</u>	<u>596,395</u>
Total Receipts (Under) Disbursements	<u>6,020</u>	<u>(11,266)</u>	<u>(5,246)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In	2,259	4,083	6,342
Transfers-Out	(4,325)	(18,487)	(22,812)
Other Financing Uses	(257)	(1,300)	(1,557)
	<u>(2,323)</u>	<u>(15,704)</u>	<u>(18,027)</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	3,697	(26,970)	(23,273)
Fund Cash Balances, January 1	<u>26,406</u>	<u>49,425</u>	<u>75,831</u>
Fund Cash Balances, December 31	<u>\$30,103</u>	<u>\$22,455</u>	<u>\$52,558</u>

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

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating Cash Receipts:	
Charges for Services	\$421,052
Miscellaneous	4,096
	<hr/>
Total Operating Cash Receipts	425,148
	<hr/>
Operating Cash Disbursements:	
Personal Services	117,996
Employee Fringe Benefits	48,745
Contractual Services	161,921
Supplies and Materials	30,777
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Total Operating Cash Disbursements	359,439
	<hr/>
Operating Income	65,709
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Non-Operating Cash Disbursements:	
Capital Outlay	9,426
Redemption of Principal	77,368
Interest and Other Fiscal Charges	90,920
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Total Non-Operating Cash Disbursements	177,714
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Excess of Receipts (Under) Disbursements Before Interfund Transfers	(112,005)
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Transfers-In	141,524
Transfers-Out	(125,054)
	<hr/>
Net Receipts (Under) Disbursements	(95,535)
	<hr/>
Fund Cash Balances, January 1	447,873
	<hr/>
Fund Cash Balances, December 31	<u><u>\$352,338</u></u>

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

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$57,130	\$22,277	\$79,407
Intergovernmental	98,065	542,992	641,057
Charges for Services	29		29
Fines, Licenses and Permits	1,610	235	1,845
Earnings on Investments	9,239	258	9,497
Miscellaneous	1,526	1,915	3,441
 Total Cash Receipts	 167,599	 567,677	 735,276
Cash Disbursements:			
Current:			
Security of Persons and Property	81,624	29,013	110,637
Community Environment	2,194		2,194
Basic Utility Service	981		981
Transportation		455,146	455,146
General Government	121,280	36	121,316
Debt Service:			
Redemption of Principal	6,081	6,741	12,822
Interest and Fiscal Charges	6,027	2,280	8,307
Capital Outlay	7,112	110,513	117,625
 Total Cash Disbursements	 225,299	 603,729	 829,028
Total Receipts (Under) Disbursements	(57,700)	(36,052)	(93,752)
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	3,000		3,000
Transfers-In		30	30
Transfers-Out	(8,994)		(8,994)
Other Financing Sources		5,500	5,500
Other Financing Uses	(11,209)	(1,668)	(12,877)
 Total Other Financing Receipts / (Disbursements)	 (17,203)	 3,862	 (13,341)
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(74,903)	(32,190)	(107,093)
Fund Cash Balances, January 1	101,309	81,615	182,924
Fund Cash Balances, December 31	\$26,406	\$49,425	\$75,831

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, 2008**

Operating Cash Receipts:	
Charges for Services	\$427,760
Miscellaneous	14,194
	441,954
Total Operating Cash Receipts	441,954
Operating Cash Disbursements:	
Personal Services	116,382
Employee Fringe Benefits	40,499
Contractual Services	103,803
Supplies and Materials	36,512
	297,196
Total Operating Cash Disbursements	297,196
Operating Income	144,758
Non-Operating Cash Receipts:	
Intergovernmental	236,752
Other Debt Proceeds	300,000
	536,752
Total Non-Operating Cash Receipts	536,752
Non-Operating Cash Disbursements:	
Capital Outlay	585,662
Redemption of Principal	80,153
Interest and Other Fiscal Charges	92,537
Other Non-Operating Cash Disbursements	7,508
	765,860
Total Non-Operating Cash Disbursements	765,860
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(84,350)
Transfers-In	131,195
Transfers-Out	(122,231)
	(75,386)
Net Receipts (Under) Disbursements	(75,386)
Fund Cash Balances, January 1	523,259
Fund Cash Balances, December 31	\$447,873

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, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Fund:

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

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 \$2,628 in encumbrances at December 31, 2008, and \$1,054 in encumbrances at December 31, 2009, and re-encumbered these amounts in the subsequent years against current appropriations.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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:

	2009	2008
Demand deposits	\$188,978	\$479,464
Certificates of deposit	171,555	
Total deposits	360,533	479,464
STAR Ohio	44,363	44,240
Total investments	44,363	44,240
Total deposits and investments	\$404,896	\$523,704

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.

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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$159,595	\$156,937	(\$2,658)
Special Revenue	445,044	440,554	(4,490)
Enterprise	632,956	566,672	(66,284)
Total	\$1,237,595	\$1,164,163	(\$73,432)

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$194,798	\$153,240	\$41,558
Special Revenue	467,447	467,524	(77)
Enterprise	1,067,177	662,207	404,970
Total	<u>\$1,729,422</u>	<u>\$1,282,971</u>	<u>\$446,451</u>

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$203,590	\$170,599	(\$32,991)
Special Revenue	570,192	573,207	3,015
Enterprise	1,170,363	1,109,901	(60,462)
Total	<u>\$1,944,145</u>	<u>\$1,853,707</u>	<u>(\$90,438)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$295,645	\$245,502	\$50,143
Special Revenue	629,578	605,397	24,181
Enterprise	1,706,872	1,185,287	521,585
Total	<u>\$2,632,095</u>	<u>\$2,036,186</u>	<u>\$595,909</u>

Contrary to Ohio law, estimated receipts exceeded actual receipts and the deficiency reduced available resources below the level of current appropriations in the General, State Highway, Drug Law Enforcement, Water Operating, and Sewer Operating Funds for the years ended December 31, 2009 and 2008.

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.

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.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$74,928	2.00%
Water System Mortgage Revenue Bonds	\$1,950,000	4.50%
Ohio Public Works Commission Loan (CT31C)	\$238,046	0.00%
Ohio Public Works Commission Loan (CK12J)	\$285,000	0.00%
Building Renovation Loan	\$73,123	5.99%
Cruiser Loan	\$13,605	6.00%
Sweeper Loan	24,119	6.00%
Total	\$2,658,821	

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 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, 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 4 years with the balance due in the 5th year (the first payment was made in September 2007). The Village Office Building serves as collateral for the loan.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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	Water System		
		Revenue Bonds	OPWC Loan CT31C	OPWC Loan CK12J
2010	\$19,206	\$112,750	\$17,003	\$15,000
2011	38,412	111,625	17,003	15,000
2012	19,206	115,734	17,003	15,000
2013		114,150	17,003	15,000
2014		112,800	17,003	15,000
2015-2019		558,294	85,017	75,000
2020-2024		566,835	68,014	75,000
2025-2029		568,732		60,000
2030-2034		567,553		
2035-2039		564,942		
2040-2043		457,301		
Total	<u>\$76,824</u>	<u>\$3,850,716</u>	<u>\$238,046</u>	<u>\$285,000</u>

Year ending December 31:	Building Renovation		
	Loan	Cruiser Loan	Sweeper Loan
2010	\$7,019	\$5,089	\$9,023
2011	74,839	5,089	9,023
2012		5,089	9,023
Total	<u>\$81,858</u>	<u>\$15,267</u>	<u>\$27,069</u>

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.

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of police members' wages. For 2009 and 2008, 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, 2009.

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 is 6.2% of wages paid. As of December 31, 2009 all payments have been made.

7. Risk Pool Membership

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.

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, 2008, 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.

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, 2008 and 2007 (the latest information available):

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Pool Membership (Continued)

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, 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 \$16,000.

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.

<u>Contributions to PEP</u>	
2008	\$16,339
2009	\$16,781

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 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.

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.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of New Paris, Preble County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 22, 2010, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 22, 2010.

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

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

Mary Taylor, CPA
Auditor of State

June 22, 2010

**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness

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, Sale of Assets, and Franchise Fees. The Village incorrectly posted:

- One Homestead and Rollback receipt of \$3,593 for the General Fund and \$1,504 for the Police Fund were posted to Taxes rather than Intergovernmental Revenue in 2008. One Homestead and Rollback receipt was posted entirely to the General Fund and at net in 2008. The Police Fund should have received \$1,514 and deductions should have been \$124. One Homestead and Rollback receipt of \$1,490 was posted to the General Fund rather than the Police Fund in 2009.
- One Tangible Personal Property Tax Replacement settlement of \$417 for the General Fund and \$167 for the Police Fund were posted to Taxes rather than Intergovernmental Revenue in 2008.
- General Fund Cable Franchise Fees of \$10,171 were posted to Miscellaneous Revenue rather than Tax Revenue in 2008.
- A Street Fund receipt of \$16,092 from Jefferson Township for road paving was posted to Special Assessments rather than Intergovernmental Revenue in 2008.
- A Police Fund grant of \$480 was posted to Miscellaneous Revenue rather than Intergovernmental Revenue in 2008. A Police Fund grant of \$460 was posted to Miscellaneous Revenue rather than Intergovernmental Revenue in 2009.
- Ohio Public Works Commission loan proceeds of \$300,000 in the Sewer Fund were posted to Intergovernmental Revenue rather than Proceeds of Debt in 2008.
- A General Fund Local Government Settlement of \$214 was posted to Tax Revenue rather than Intergovernmental Revenue in 2009.
- Community Development Block Grant on-behalf revenues and expenditures were understated by \$3,819 in 2008.
- A General Fund receipt totaling \$3,000 for the sale of an asset to Miscellaneous Revenue instead of Sale of Assets in 2008.

The Village made audit adjustments to the accompanying financial statements and accounting records, where applicable for the above items.

**FINDING NUMBER 2009-001
(Continued)**

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

- A payment of \$5,513 for equipment in the Street Fund in 2008 was posted to Other Financing Uses rather than Capital Outlay.
- Ohio Public Works Commission on-behalf expenditures of \$536,752 for the Sewer Fund in 2008 were posted to Contractual Services rather than Capital Outlay.
- In 2009, the Village Council approved the Clerk to be paid from the Enterprise Funds from August through December. The Clerk's pay should have been allocated to the General and Enterprise Funds. An addition \$8,057 should have been posted to the General Fund rather than the Water and Sewer Funds. During the first five months of 2010, the Clerk's pay was posted entirely to the General Fund to compensate for the months paid exclusively from the Enterprise Funds.

The Village made audit adjustments to the accompanying financial statements and accounting records, where applicable, for the above items.

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

- USDA Bond Interest payments were posted to Principal instead of Interest in 2008 (\$89,775).
- OPWC Loan Principal payments were posted to Interest instead of Principal in 2008 (\$17,003) and 2009 (\$8,502).
- OWDA Loan Principal payments were posted to Interest instead of Principal in 2008 (\$35,650).
- 2008 Lease Payments were posted to Other Financing Uses (\$622), General Government Expenditures (\$647), Supplies and Materials (\$93), and Contractual Services (\$555), rather than Capital Outlay.
- 2009 Lease Payments were posted to General Government Expenditures (\$1,100) and Contractual Services (\$1,062) rather than Capital Outlay.

The Village made the audit adjustments to the accompanying financial statements and accounting records, where applicable 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 2009-002

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, 2009 and 2008 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
2009	General	\$194,798	\$183,344	\$11,454
2009	State Highway	22,391	20,953	1,438
2009	Drug Law Enforcement	1,484	999	485
2009	Water Operating	470,980	432,623	38,357
2009	Sewer Operating	393,991	379,717	14,274
2008	General	295,645	271,908	23,737
2008	State Highway	17,354	15,916	1,438
2008	Drug Law Enforcement	2,249	484	1,765
2008	Water Operating	526,916	482,052	44,864
2008	Sewer Operating	993,648	964,181	29,467

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.

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

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**VILLAGE OF NEW PARIS
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code, § 5705.41(D)(1), failure to properly encumber transactions.	Yes	
2007-002	Ohio Revised Code, § 5705.36(A)(4), appropriations exceed available resources.	No	Re-Issued as Finding 2009-002.
2007-003	Ohio Revised Code, § 5705.39, appropriations exceed estimated revenue.	No	Partially Corrected – Re-Issued as a Management Letter Comment
2007-004	Ohio Admin. Code, § 117-2-01(D), lack of oversight in the posting of financial activity.	No	Re-Issued as Finding 2009-001.
2007-005	Ohio Revised Code, § 135.18, deposits not properly collateralized.	Yes	



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
JULY 8, 2010**