



**VILLAGE OF NEW PARIS  
PREBLE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**



VILLAGE OF NEW PARIS  
PREBLE COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Village of New Paris  
Preble County  
301 West Cherry Street  
New Paris, Ohio 45347

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of New Paris, Preble County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

### ***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 such 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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2019 and 2018, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of New Paris, Preble County as of December 31, 2019 and 2018, 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 2.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding these matters.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2020, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

July 1, 2020

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**Village of New Paris, Ohio***Preble County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2019*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$64,806	\$46,606	\$111,412
Municipal Income Tax	162,146		162,146
Intergovernmental	63,711	606,677	670,388
Charges for Services	534		534
Fines, Licenses and Permits	21,325	4,755	26,080
Earnings on Investments	1,861	313	2,174
Miscellaneous	8,882	4,267	13,149
<i>Total Cash Receipts</i>	<u>323,265</u>	<u>662,618</u>	<u>985,883</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	18,608	159,776	178,384
Leisure Time Activities	13,425		13,425
Community Environment	7,204		7,204
Transportation		84,626	84,626
General Government	86,330	209	86,539
Capital Outlay	581	608,826	609,407
Debt Service:			
Principal Retirement	5,855	22,682	28,537
Interest and Fiscal Charges	1,291	1,114	2,405
<i>Total Cash Disbursements</i>	<u>133,294</u>	<u>877,233</u>	<u>1,010,527</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>189,971</u>	<u>(214,615)</u>	<u>(24,644)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		174,000	174,000
Transfers Out	(174,000)		(174,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(174,000)</u>	<u>174,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	15,971	(40,615)	(24,644)
<i>Fund Cash Balances, January 1</i>	<u>339,356</u>	<u>164,516</u>	<u>503,872</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	123,901	123,901
Assigned	353,135	0	353,135
Unassigned (Deficit)	2,192	0	2,192
<i>Fund Cash Balances, December 31</i>	<u>\$355,327</u>	<u>\$123,901</u>	<u>\$479,228</u>

*See accompanying notes to the basic financial statements*

**Village of New Paris, Ohio**  
*Preble County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2019*

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$519,425
Miscellaneous	1,570
<i>Total Operating Cash Receipts</i>	<u>520,995</u>
<b>Operating Cash Disbursements</b>	
Personal Services	110,973
Employee Fringe Benefits	26,239
Contractual Services	102,331
Supplies and Materials	39,255
<i>Total Operating Cash Disbursements</i>	<u>278,798</u>
<i>Operating Income (Loss)</i>	<u>242,197</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments (proprietary funds only)	357
Principal Retirement	(72,587)
Interest and Other Fiscal Charges	(76,499)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(148,729)</u>
<i>Income (Loss) before Transfers</i>	93,468
Transfers In	110,600
Transfers Out	(110,600)
<i>Net Change in Fund Cash Balances</i>	93,468
<i>Fund Cash Balances, January 1</i>	<u>504,066</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$597,534</u></u>

*See accompanying notes to the basic financial statements*

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

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

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 3.

***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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***Capital Assets***

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

***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.

***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:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***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.

***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.

***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.

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

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

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$281,325	\$323,265	\$41,940
Special Revenue	830,335	836,618	6,283
Enterprise	617,410	631,952	14,542
<b>Total</b>	<b>\$1,729,070</b>	<b>\$1,791,835</b>	<b>\$62,765</b>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$607,678	\$307,294	\$300,384
Special Revenue	981,492	877,233	104,259
Enterprise	1,098,837	538,484	560,353
<b>Total</b>	<b>\$2,688,007</b>	<b>\$1,723,011</b>	<b>\$964,996</b>

**Note 4 – Deposits and Investments**

The Village maintains a deposits 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:

	2019
Demand deposits	\$1,061,153
Total deposits	1,061,153
STAR Ohio	15,609
Total investments	15,609
Total deposits and investments	\$1,076,762

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 5 – Taxes**

***Property Taxes***

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

***Income Taxes***

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.

**Note 6 – Risk Management**

**Risk Pool Membership**

The (local entity) is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 35,207,320
Actuarial liabilities	\$ 10,519,942

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

***Ohio Police and Fire Retirement System***

Two of the Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

***Social Security***

Ten Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.



**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 9 – Debt**

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Mortgage Revenue Bonds	\$1,645,000	4.50%
Ohio Public Works Commission Loan (CT31C)	68,012	0.00%
Ohio Public Works Commission Loan (CK12J)	135,000	0.00%
Ohio Water Development Authority Loan #8213	181,459	0.83%
Building Loan Renovation	37,402	2.85%
Police Cruiser (FY15)	7,985	2.25%
Police Cruiser (FY17)	16,643	1.90%
Lawn Mower Loan	2,262	3.99%
Total	<u>\$2,093,763</u>	

The Water System 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 Ohio Water Development Authority (OWDA), awarded in July 2018, loan relates to the South Washington Street Water Line Replacement project. The OWDA approved up to \$195,197 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$5,306, including interest, over 20 years. The scheduled payment amount below assumes that \$195,197 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

The Building Renovation loan was received on September 22, 2016 in the amount of \$51,304. This loan was used to renew the existing building renovation loan obtained in in 2006. The loan will be repaid in annual installments of \$5,969, including interest, over four years with the balance due in the fifth year (the first payment will be made in September of 2017). The loan is unsecured.

The Police Cruiser loan (FY15) was received on October 6, 2015 in the amount of \$38,200. This loan was used to purchase a police cruiser. The loan is being repaid in annual installments of \$8,164, including interest, over a total of five years (the first payment was made in October 2016). The police cruiser serves as collateral for the loan.

The Police Cruiser loan (FY17) was received in October 20, 2017 in the amount of \$27,225. This loan was used to purchase a vehicle for the police department. The loan is being repaid in annual installments of \$5,759, including interest over a total of 5 years (the first payment due in 2018.). 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. Outstanding principal at December 31, 2018, was \$9,873. The loan was paid off during 2019.

The Lawn Mower Loan was received April 20, 2016 in the amount of \$8,542. This loan was used to purchase a John Deere Lawn Mower for the Village. The loan is being repaid in annual installments of \$2,353, including interest, over a total of four years (the first payment will be due April 20, 2017). The lawn mower serves as collateral for the loan.

***Amortization***

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

Year Ending December 31:	Water System	OPWC		OWDA #8213
	Mortgage Revenue Bonds	(CT31C)	OPWC (CK12J)	
2020	\$114,228	\$17,003	\$15,000	\$10,613
2021	112,225	17,003	15,000	10,613
2022	115,425	17,003	15,000	10,613
2023	113,400	17,003	15,000	10,613
2024	111,557		15,000	10,613
2025-2029	568,732		60,000	53,065
2030-2034	567,552			53,065
2035-2039	564,942			47,759
2040-2044	457,301			
Total	<u>\$2,725,362</u>	<u>\$68,012</u>	<u>\$135,000</u>	<u>\$206,954</u>

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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Year Ending December 31:	Building Renovation Loan	Police Cruiser (FY15)	Police Cruiser (FY17)	Lawn Mower Loan
2020	\$5,969	\$8,164	\$5,759	\$2,353
2021	33,421		5,759	
2022			5,759	
2023				
2024				
2025-2029				
Total	\$39,390	\$8,164	\$17,277	\$2,353

**Note 10 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

On February 12, 2020, the Village obtained a Promissory Note from The Farmers State Bank in the amount of \$87,510 for the purchase of a skid steer and compact excavator.

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**Village of New Paris, Ohio***Preble County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$66,939	\$21,357	\$88,296
Municipal Income Tax	167,532		167,532
Intergovernmental	54,822	112,183	167,005
Charges for Services	561		561
Fines, Licenses and Permits	20,284	4,914	25,198
Earnings on Investments	996	198	1,194
Miscellaneous	17,015	7,041	24,056
<i>Total Cash Receipts</i>	<u>328,149</u>	<u>145,693</u>	<u>473,842</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	17,700	149,399	167,099
Leisure Time Activities	6,400		6,400
Community Environment	4,517		4,517
Transportation		67,925	67,925
General Government	83,606		83,606
Capital Outlay	0	72,185	72,185
Debt Service:			
Principal Retirement	5,678	25,323	31,001
Interest and Fiscal Charges	1,467	1,824	3,291
<i>Total Cash Disbursements</i>	<u>119,368</u>	<u>316,656</u>	<u>436,024</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>208,781</u>	<u>(170,963)</u>	<u>37,818</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		185,595	185,595
Transfers Out	(185,595)		(185,595)
Other Financing Sources	8,498		8,498
Other Financing Uses	(324)		(324)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(177,421)</u>	<u>185,595</u>	<u>8,174</u>
<i>Net Change in Fund Cash Balances</i>	31,360	14,632	45,992
<i>Fund Cash Balances, January 1</i>	<u>307,996</u>	<u>149,884</u>	<u>457,880</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	164,516	164,516
Assigned	326,353	0	326,353
Unassigned (Deficit)	13,003	0	13,003
<i>Fund Cash Balances, December 31</i>	<u>\$339,356</u>	<u>\$164,516</u>	<u>\$503,872</u>

*See accompanying notes to the basic financial statements*

**Village of New Paris, Ohio**

*Preble County*

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)*

*All Proprietary and Fiduciary Fund Types*

*For the Year Ended December 31, 2018*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$517,833		\$517,833
Miscellaneous	1,323		1,323
<i>Total Operating Cash Receipts</i>	<u>519,156</u>	<u>0</u>	<u>519,156</u>
<b>Operating Cash Disbursements</b>			
Personal Services	122,858		122,858
Employee Fringe Benefits	38,098		38,098
Contractual Services	90,357		90,357
Supplies and Materials	51,407		51,407
<i>Total Operating Cash Disbursements</i>	<u>302,720</u>	<u>0</u>	<u>302,720</u>
<i>Operating Income (Loss)</i>	<u>216,436</u>	<u>0</u>	<u>216,436</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments (proprietary funds only)	295		295
Other Debt Proceeds	185,955		185,955
Capital Outlay	(162,356)		(162,356)
Principal Retirement	(68,049)		(68,049)
Interest and Other Fiscal Charges	(77,305)		(77,305)
Other Financing Uses		(\$8,496)	(8,496)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(121,460)</u>	<u>(8,496)</u>	<u>(129,956)</u>
<i>Income (Loss) before Transfers</i>	94,976	(8,496)	86,480
Transfers In	112,175		112,175
Transfers Out	(112,175)		(112,175)
<i>Net Change in Fund Cash Balances</i>	94,976	(8,496)	86,480
<i>Fund Cash Balances, January 1</i>	<u>409,090</u>	<u>8,496</u>	<u>417,586</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$504,066</u></u>	<u><u>\$0</u></u>	<u><u>\$504,066</u></u>

*See accompanying notes to the basic financial statements*

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

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

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

***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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Fiduciary Funds*** 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 report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for employee health reimbursement activity.

***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2018 budgetary activity appears in Note 3.

***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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.



**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Capital Assets***

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

***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.

***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:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***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.

***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.

***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.

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

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

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$291,253	\$336,647	\$45,394
Special Revenue	840,120	331,288	(508,832)
Enterprise	798,945	817,581	18,636
<b>Total</b>	<b>\$1,930,318</b>	<b>\$1,485,516</b>	<b>(\$444,802)</b>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$604,378	\$305,287	\$299,091
Special Revenue	981,437	316,656	664,781
Enterprise	990,103	722,605	267,498
<b>Total</b>	<b>\$2,575,918</b>	<b>\$1,344,548</b>	<b>\$1,231,370</b>

**Note 4 – Deposits and Investments**

The Village maintains a deposits 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:

Demand deposits	2018 \$992,686
Total deposits	992,686
STAR Ohio	15,252
Total investments	15,252
<b>Total deposits and investments</b>	<b>\$1,007,938</b>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 5 – Taxes**

***Property Taxes***

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

***Income Taxes***

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.

**Note 6 – Risk Management**

**Risk Pool Membership**

The (local entity) is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

***Ohio Police and Fire Retirement System***

Two of the Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

***Social Security***

Ten Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 9 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Mortgage Revenue Bonds	\$1,680,000	4.50%
Ohio Public Works Commission Loan (CT31C)	85,015	0.00%
Ohio Public Works Commission Loan (CK12J)	150,000	0.00%
Ohio Water Development Authority Loan #8213	185,955	0.83%
Building Renovation Loan	42,170	2.85%
Police Cruiser (FY15)	15,792	2.25%
Police Cruiser (FY17)	21,983	1.90%
Dump Truck Loan	9,535	3.50%
Lawn Mower Loan	4,438	3.99%
Total	<u>\$2,194,888</u>	

The Water System 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 Ohio Water Development Authority (OWDA), awarded in July 2018, loan relates to the South Washington Street Water Line Replacement project. The OWDA approved up to \$195,197 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$5,306, including interest, over 20 years. The scheduled payment amount below assumes that \$195,197 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

The Building Renovation loan was received on September 22, 2016 in the amount of \$51,304. This loan was used to renew the existing building renovation loan obtained in in 2006. The loan will be repaid in annual installments of \$5,969, including interest, over four years with the balance due in the fifth year (the first payment will be made in September of 2017). The loan is unsecured.

The Police Cruiser loan (FY15) was received on October 6, 2015 in the amount of \$38,200. This loan was used to purchase a police cruiser. The loan is being repaid in annual installments of \$8,164, including interest, over a total of five years (the first payment was made in October 2016). The police cruiser serves as collateral for the loan.

The Police Cruiser loan (FY17) was received in October 20, 2017 in the amount of \$27,225. This loan was used to purchase a vehicle for the police department. The loan is being repaid in annual installments of \$5,759, including interest over a total of 5 years (the first payment due in 2018.). 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.

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 first payment was due May 14, 2014. The Gator served as collateral for the loan. Outstanding principal at December 31, 2017, was \$3,236. The loan was paid off in 2018.

The Lawn Mower Loan was received April 20, 2016 in the amount of \$8,542. This loan was used to purchase a John Deere Lawn Mower for the Village. The loan is being repaid in annual installments of \$2,353, including interest, over a total of four years (the first payment will be due April 20, 2017). The lawn mower serves as collateral for the loan.

***Amortization***

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

Year Ending December 31:	Water System Mortgage Revenue Bonds	OPWC (CT31C)	OPWC (CK12J)	OWDA #8213	Building Renovation Loan
2019	\$110,600	\$17,003	\$15,000	\$5,306	\$5,969
2020	114,228	17,003	15,000	10,613	5,969
2021	112,225	17,003	15,000	10,613	33,421
2022	115,425	17,003	15,000	10,613	
2023	113,400	17,003	15,000	10,613	
2024-2028	565,389		75,000	53,065	
2029-2033	566,952			53,065	
2034-2038	567,942			53,065	
2039-2043	569,800			5,306	
Total	<u>\$2,835,961</u>	<u>\$85,015</u>	<u>\$150,000</u>	<u>\$212,259</u>	<u>\$45,359</u>

**Village of New Paris, Ohio**  
*Preble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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Year Ending December 31:	Police Cruiser (FY15)	Police Cruiser (FY17)	Dump Truck Loan	Lawn Mower Loan
2019	\$8,164	\$5,759	\$9,873	\$2,353
2020	8,164	5,759		2,353
2021		5,759		
2022		5,759		
Total	<u>\$16,328</u>	<u>\$23,036</u>	<u>\$9,873</u>	<u>\$4,706</u>

**Note 10 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

On February 12, 2020, the Village obtained a Promissory Note from The Farmers State Bank in the amount of \$87,510 for the purchase of a skid steer and compact excavator.

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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  
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 cash balances, receipts, and disbursements by fund type of the Village of New Paris, Preble County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 1, 2020, 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, and the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

### ***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 opinions 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.

*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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Finding***

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

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

July 1, 2020

**VILLAGE OF NEW PARIS  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness – Financial Statement Errors**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

All financial information should be correctly reported and classified in the annual financial statements and accounting system. The Village did not have procedures in place to accurately report financial activity. The following material errors which required re-classifications and adjustments to the financial statements and adjustments to the accounting system to correctly report the financial activity during the audit period were noted:

- Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) and Auditor of State Bulletin 2011-004 state, in part, that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund, as it is the only fund with a positive unassigned fund balance. The Village failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in the amount of \$326,353 for 2018 and \$353,135 for 2019. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.
- Contractual Services for the Enterprise Fund was understated by \$21,016 and Interest and Fiscal Charges was overstated by \$21,016 for 2018.
- Other Debt Proceeds and Capital Outlay for the Enterprise Fund were both understated by \$162,356 for 2018. This pertained to on-behalf payments made directly to the vendor for the Village's Ohio Water Development Authority Loan.
- The Village did not record the activity related to the off-books HRA bank account in the accounting system. However, this account was closed in 2018. As such, beginning fund balance and Other Financing Uses were both understated by \$8,496 for the Agency Fund in 2018.
- General Fund Fines, Licenses and Permits was understated and Property Taxes was overstated by \$19,465 and \$19,705, in 2018 and 2019, respectively, due to misposting cable franchise fees.
- In 2018, General Fund General Government Expenditures was understated by \$5,114, Intergovernmental Revenue was overstated by \$808, and Property Taxes was understated by \$5,922. This was due to property taxes being posted at net instead of gross, first half manufacturing taxes being posted to Intergovernmental Revenue instead of Property Taxes, and manufacturing homestead reimbursements being posted to Property Taxes instead of Intergovernmental Revenue.
- In 2019, General Fund General Government Expenditures was understated by \$4,441, Intergovernmental Revenue was understated by \$169, and Property Taxes was understated by \$4,272. This was due to property taxes being posted at net instead of gross and manufacturing homestead reimbursements being posted to Property Taxes instead of Intergovernmental Revenue.
- In 2019, a rollback reimbursement receipt was posted entirely to the General Fund rather than being allocated to both the General Fund and Police Fund. As such, General Fund Intergovernmental Revenue and Fund Balance were both overstated by \$2,649. Police Fund Intergovernmental Revenue and Fund Balance were both understated by \$2,649.

The Village's financial statements for 2018 and 2019 also contained immaterial errors which did not require reclassifications or adjustments as follows:

- In 2018, Street Fund Intergovernmental Revenue and Capital Outlay were both understated by \$2,130. This was due to on-behalf payments made directly to the vendor for an Ohio Public Works Commission grant.
- In 2018, Police Fund Intergovernmental Revenue was understated and Miscellaneous Revenue was overstated by \$1,460 due to a CPT training grant being misposted.
- In 2018, Police Fund General Government Expenditures was understated by \$560, Intergovernmental Revenue was overstated by \$241, and Property Taxes was understated by \$801. This was due to property taxes being posted at net instead of gross, first half manufacturing taxes being posted to Intergovernmental Revenue instead of Property Taxes, and manufacturing homestead reimbursements being posted to Property Taxes instead of Intergovernmental Revenue.
- In 2019, Police Fund General Government Expenditures was understated by \$1,189, Intergovernmental Revenue was understated by \$118, and Property Taxes was understated by \$1,071. This was due to property taxes being posted at net instead of gross and manufacturing homestead reimbursements being posted to Property Taxes instead of Intergovernmental Revenue.

The failure to correctly classify fund balances and financial activity on financial statements may impact the user's understanding of the financial operations, the Council's ability to make sound financial decisions, and result in the material misstatement of the financial statements. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts.

The errors identified should be reviewed by Council to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in the classification of fund balances. In addition to the monthly review of financial reports, Council should consider a detailed review of the accounting records and the year-end financial statements to help identify and correct errors in a timely manner.

**Officials' Response:**

Upon review of the Financial Statement findings with the Mayor and Fiscal Officer, we acknowledge the importance of accurately reporting all financial information. All findings were mistakes posted out of error and non-intentional. All findings noted have been corrected on the accounting system as requested and we will take precautions to prevent the same errors in the future.

# OHIO AUDITOR OF STATE KEITH FABER



**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 23, 2020**