



Dave Yost • Auditor of State

VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2013	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of St. Paris
Champaign County
PO Box 572
St. Paris, Ohio 43072

To the Village Council and Mayor:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As described in Note 2, the Village restated the fund balances for General and Enterprise fund types as of January 1, 2012. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost

Auditor of State
Columbus, Ohio

May 30, 2014

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$31,341	\$60,703	\$92,044
Municipal Income Tax	299,421		299,421
Intergovernmental	35,824	129,556	165,380
Special Assessments		12,037	12,037
Charges for Services	24,150	2,776	26,926
Fines, Licenses and Permits	52,780	4,458	57,238
Earnings on Investments	1,234	2,047	3,281
Miscellaneous	15,128	2,175	17,303
Total Cash Receipts	459,878	213,752	673,630
Cash Disbursements:			
Current:			
Security of Persons and Property	258,692	635	259,327
Leisure Time Activities		56,922	56,922
Community Environment	18	2,615	2,633
Transportation		79,956	79,956
General Government	143,313	5,849	149,162
Debt Service:			
Principal Retirement	16,717		16,717
Interest and Fiscal Charges	3,613		3,613
Total Cash Disbursements	422,353	145,977	568,330
Total Receipts Over/(Under) Disbursements	37,525	67,775	105,300
Fund Cash Balance, January 1	6,100	244,103	250,203
Fund Cash Balance, December 31:			
Restricted		311,878	311,878
Unassigned (Deficit)	43,625		43,625
Fund Cash Balance, December 31	\$43,625	\$311,878	\$355,503

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

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$830,638		\$830,638
Fines, Licenses and Permits		\$7,096	7,096
Total Operating Cash Receipts	<u>830,638</u>	<u>7,096</u>	<u>837,734</u>
Operating Cash Disbursements:			
Personal Services	171,409		171,409
Employee Fringe Benefits	115,535		115,535
Contractual Services	138,349		138,349
Supplies and Materials	114,146		114,146
Other	8,197	7,096	15,293
Total Operating Cash Disbursements	<u>547,636</u>	<u>7,096</u>	<u>554,732</u>
Operating Income/(Loss)	<u>283,002</u>		<u>283,002</u>
Non-Operating Receipts/Disbursements:			
Miscellaneous Receipts	6,284		6,284
Capital Outlay	(198,082)		(198,082)
Principal Retirement	(30,000)		(30,000)
Interest and Other Fiscal Charges	(20,849)		(20,849)
Total Non-Operating Receipts/Disbursements	<u>(242,647)</u>		<u>(242,647)</u>
Net Change in Fund Cash Balances	40,355		40,355
Fund Cash Balance, January 1	<u>746,682</u>	<u>571</u>	<u>747,253</u>
Fund Cash Balance, December 31	<u><u>\$787,037</u></u>	<u><u>\$571</u></u>	<u><u>\$787,608</u></u>

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

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$43,176	\$63,942		\$107,118
Municipal Income Tax	250,355			250,355
Intergovernmental	44,864	92,341	\$58,670	195,875
Special Assessments	544	26,388		26,932
Charges for Services	26,400	3,715		30,115
Fines, Licenses and Permits	41,336	3,723		45,059
Earnings on Investments	1,722	1,986		3,708
Miscellaneous	24,625	100,808		125,433
Total Cash Receipts	<u>433,022</u>	<u>292,903</u>	<u>58,670</u>	<u>784,595</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	254,334	200		254,534
Leisure Time Activities		31,182		31,182
Community Environment	148	1,252		1,400
Transportation		191,144	58,670	249,814
General Government	118,786	5,071		123,857
Debt Service:				
Principal Retirement	20,021			20,021
Interest and Fiscal Charges	4,124			4,124
Total Cash Disbursements	<u>397,413</u>	<u>228,849</u>	<u>58,670</u>	<u>684,932</u>
Total Receipts Over/(Under) Disbursements	<u>35,609</u>	<u>64,054</u>		<u>99,663</u>
Other Financing Receipts/(Disbursements):				
Transfers In		10,500		10,500
Transfers Out	(10,500)			(10,500)
Total Other Financing Receipts/(Disbursements)	<u>(10,500)</u>	<u>10,500</u>		
Net Change in Fund Cash Balances	<u>25,109</u>	<u>74,554</u>		<u>99,663</u>
Restated Fund Cash Balance, January 1	<u>(19,009)</u>	<u>169,549</u>		<u>150,540</u>
Fund Cash Balance, December 31:				
Restricted		244,103		244,103
Assigned	6,100			6,100
Fund Cash Balance, December 31	<u>\$6,100</u>	<u>\$244,103</u>	<u>\$0</u>	<u>\$250,203</u>

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

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$807,379		\$807,379
Fines, Licenses and Permits		\$5,822	5,822
Total Operating Cash Receipts	<u>807,379</u>	<u>5,822</u>	<u>813,201</u>
Operating Cash Disbursements:			
Personal Services	142,040		142,040
Employee Fringe Benefits	88,734		88,734
Contractual Services	152,662		152,662
Supplies and Materials	91,275		91,275
Other	7,294	5,822	13,116
Total Operating Cash Disbursements	<u>482,005</u>	<u>5,822</u>	<u>487,827</u>
Operating Income/(Loss)	<u>325,374</u>		<u>325,374</u>
Non-Operating Receipts/Disbursements:			
Sale of Notes	1,133		1,133
Miscellaneous Receipts	21,105		21,105
Capital Outlay	(103,896)		(103,896)
Principal Retirement	(30,000)		(30,000)
Interest and Other Fiscal Charges	(22,404)		(22,404)
Total Non-Operating Receipts/Disbursements	<u>(134,062)</u>		<u>(134,062)</u>
Net Change in Fund Cash Balances	191,312		191,312
Restated Fund Cash Balance, January 1	<u>555,370</u>	<u>571</u>	<u>555,941</u>
Fund Cash Balance, December 31	<u><u>\$746,682</u></u>	<u><u>\$571</u></u>	<u><u>\$747,253</u></u>

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

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of St. Paris, Champaign County, Ohio, (the Village) is a body corporate and politic 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 general governmental services, including water and sewer utilities and police services. JSP Fire District, jointly governed with the Village and Johnson Township, provides fire and emergency medical services.

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

B. Basis of Accounting

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 maintains its cash deposits in an interest-bearing checking account and has no investments.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

Parks and Recreation Fund – This fund is used to provide and maintain the Village's parks.

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Ohio Public Works Commission (OPWC) – This fund receives monies through OPWC grants for construction projects.

4. 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.

Sewer Capital Improvement Fund – This fund receives monies from the sewer fund service costs to cover sewer plant maintenance.

5. Fiduciary Funds

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

Mayor's Court Fund – This fund receives monies for court fees, fines, and forfeitures. These collections are remitted to the Village and the State of Ohio on a monthly basis.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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 appropriations measure. Appropriations lapse at year end.

VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

F. Fund Balance

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

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

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

5. Unassigned

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

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Property, Plant, and Equipment

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

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. FUND BALANCE RESTATEMENT

The Village restated fund balances at January 1, 2012 for the General and Enterprise Funds. In 2009, the Village purchased property from the Sewer Fund rather than the General Fund. **Ohio Rev. Code § 729.52** governs allowable Sewer Fund expenditures. The Village should have purchased the property from the General Fund. All revenues and expenditures posted to the Sewer Fund in 2009 through 2011 were moved from the Enterprise Fund to the General Fund. The following table shows the changes in fund balances.

	General Fund	Enterprise Fund
December 31, 2011 Fund Balance	21,381	514,980
Prior Period Adjustment	(40,390)	40,390
Restated January 1, 2012 Fund Balance	(19,009)	555,370

3. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand deposits	\$1,143,111	\$997,456

Deposits: Deposits are insured either (1) by the Federal Depository Insurance Corporation, or (2) covered by specific collateral held by third party trustees.

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

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

4. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$409,550	\$459,878	\$50,328
Special Revenue	289,170	213,752	(75,418)
Enterprise	826,000	836,922	10,922
Fiduciary	10,000	7,096	(2,904)
Total	<u>\$1,534,720</u>	<u>\$1,517,648</u>	<u>(\$17,072)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$465,491	\$422,353	\$43,138
Special Revenue	525,619	145,977	379,642
Enterprise	1,525,632	796,567	729,065
Fiduciary	10,571	7,096	3,475
Total	<u>\$2,527,313</u>	<u>\$1,371,993</u>	<u>\$1,155,320</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$426,612	\$433,022	\$6,410
Special Revenue	386,700	303,403	(83,297)
Capital Projects	100,000	58,670	(41,330)
Enterprise	853,856	829,617	(24,239)
Fiduciary	10,000	5,822	(4,178)
Total	<u>\$1,777,168</u>	<u>\$1,630,534</u>	<u>(\$146,634)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$444,101	\$407,913	\$36,188
Special Revenue	554,734	228,849	325,885
Capital Projects	100,000	58,670	41,330
Enterprise	1,368,835	638,305	730,530
Fiduciary	10,571	5,822	4,749
Total	<u>\$2,478,241</u>	<u>\$1,339,559</u>	<u>\$1,138,682</u>

5. 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.

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

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

5. PROPERTY TAX (Continued)

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

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

6. LOCAL INCOME TAX

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of actual taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual income taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Municipal income tax receipts for 2013 and 2012 were \$299,421 and \$250,355, respectively.

7. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
First Central National Bank - Water Tower	\$402,431	5%
First Central National Bank - Land Acquisition	\$80,796	4%
Total	\$483,227	

The Village received an interest-free loan from the Ohio Public Works Commission (OPWC) for the Huffman Ditch Project. The loan requires semi-annual payments of \$3,815 and was paid off completely in fiscal year 2013.

The Village obtained a loan for \$582,431 from First Central National Bank for a Water Tower Project. The Village was approved for \$600,000 and the total drawn was \$582,431. Amortization schedule has been changed to reflect drawn amount and balloon payment. Interest is paid semi-annually with annual principal payments of \$30,000 through 2017. A balloon payment of \$300,000 is due May 2017; however, the balloon payment will be refinanced and a new interest rate will be negotiated with the bank.

The Village obtained a loan for \$135,000 from First Central National Bank in 2011 which was used to purchase land for future development. The loan requires semi-annual principal and interest payments of \$8,257 through 2014 with one balloon payment of \$82,422 due June 2014; however, the balloon payment will be refinanced and a new interest rate will be negotiated with the bank.

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

Year ending December 31:	Water Tower	Land Acquisition
2014	\$50,243	\$82,422
2015	48,743	
2016	47,293	
2017	338,182	
Total	\$484,461	\$82,422

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

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

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. From January 1, 2012 thru June 30, 2013, OP&F participants contributed 10% of their annual covered salary. From July 1, 2013 thru December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of covered payroll. The Village has paid all contributions required through December 31, 2013.

9. RISK MANAGEMENT

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

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

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

A. Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

B. 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

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

9. RISK MANAGEMENT (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$16,735.

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.

Contributions to PEP	
2013	2012
<u>\$19,460</u>	<u>\$15,777</u>

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

10. LEASE/RENT AGREEMENT

On December 5, 2011, the Village Council passed Resolution 1155, allowing them to lease/rent 4,000 sq/ft of storage area to the Village of St. Paris Water/Sewer Department from the Village of St. Paris for \$.50 per sq/ft for \$24,000.00 per year with it being brought before Council to obtain approval yearly.

11. COMPLIANCE

In addition to the noncompliance described in Note 2, the Village did not comply with requirements of Ohio Rev. Code § 5705.10(D) and 5735.28. The Village posted special revenues to the General Fund and failed to properly allocate revenues to the State Highway Fund.

12. TRANSFERS

In 2012, the Village transferred \$10,500 from the General Fund to the Parks and Recreation Fund to fund park activities.



Dave Yost • Auditor of State

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

Village of St. Paris
Champaign County
PO Box 572
St. Paris, Ohio 43072

To the Village Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of St. Paris, Champaign County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 30, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Village restated the fund balances for General and Enterprise fund types as of January 1, 2012 as described in Note 2.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 to be material weaknesses.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

May 30, 2014

VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Noncompliance and Material Weakness

Accuracy and Completeness of Financial Activity

Ohio Rev. Code § 5705.10(D) states that all revenue derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

In addition, **Ohio Rev. Code § 5735.28** states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes. The financial activity should be recorded in the State Highway Fund.

The Village incorrectly applied the above guidance when posting receipts during 2013 and 2012. The following errors occurred and were adjusted on the financial statements and client ledgers:

- Special Revenue Street Construction, Maintenance, and Repair Fund homestead/rollback Intergovernmental revenues posted as General Fund - Property and Local Taxes (\$7,989 in 2013 and \$7,858 in 2012)
- State Highway Fund 7.5% Intergovernmental revenues posted as Street Construction, Maintenance, and Repair Fund Intergovernmental revenues (\$1,123 in 2013 and \$1,120 in 2012)

Additionally, the Village misclassified the following transactions, which have been adjusted on the financial statements:

- General Fund homestead/rollback classified as Property and Local Taxes rather than Intergovernmental revenues (\$4,897 in 2013 and \$4,816 in 2012)
- Permissive Motor Vehicle License Tax Fund auto taxes classified as Intergovernmental rather than Property and Local Taxes (\$9,412 in 2013 and \$9,436 in 2012)
- Water Fund loan interest classified as Supplies and Materials rather than Interest and Fiscal Charges (\$10,875 in 2012)
- Street Construction, Maintenance and Repair Fund reported revenues and expenditures also reported in OPWC Fund (Capital Projects Fund - \$58,670 in 2012)

The Village also incorrectly classified commercial activity tax reimbursements as Property and Other Local Taxes rather than Intergovernmental revenues in both 2012 (\$3,001) and 2013 (\$1,501); however, the amounts were not material and therefore not adjusted in the financial statements.

**FINDING NUMBER 2013-001
(Continued)**

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary law, and may result in material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner. The Village should have procedures in place to help assure the accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

FINDING NUMBER 2013-002

Non-Compliance and Material Weakness

Sewer Fund Property Purchase

Ohio Rev. Code § 729.52 states the funds received from the collection of sewer rentals under section 729.49 of the Revised Code shall be deposited weekly with the treasurer of the municipal corporation. Money so deposited shall be kept as a separate and distinct fund and shall be known as the sewer fund. When appropriated by the legislative authority of the municipal corporation, the fund shall be subject to the order of the director of public service of a city or of the board of trustees of public affairs of a village. The director or board shall sign all orders drawn on the treasurer of the municipal corporation against such fund, which fund shall be used for the payment of the cost of the management, maintenance, operation, and repair of the sewerage system and sewage pumping, treatment, and disposal works. Any surplus in such fund may be used for the enlargement or replacement of the system and works, for construction and reconstruction of main and interceptor storm sewers, for the payment of the interest on any debt incurred for the construction thereof, and for the creation of a sinking fund for the payment of such debt, but shall not be used for the extension of a sewerage system to serve un-sewered areas or for any other purpose; provided, where such municipal corporation does not operate or maintain a sewage pumping, treatment, and disposal works, any or all of such surplus may be transferred to the general fund of the municipal corporation in the manner provided in sections 5705.15 and 5705.16 of the Revised Code.

The Village previously purchased property with sewer fund collections in 2009. The Village has also collected rental revenues on the building associated with the property. Although the Village approved to purchase the property, the resolution did not specify the intended use of the property, funding alternatives, or legality of purchase from funds. Lack of details as well as documentation on how the purchase followed the above sewer fund expenditure requirements resulted in a prior period adjustment for all the activity associated with the purchase from the Sewer Fund to the General Fund. The prior period adjustment of \$40,390 included the initial purchase, loan proceeds, loan payments, building rental revenues, insurance reimbursement and related maintenance expenditures for the property between 2009 and 2011. The financial statements and Village accounting records have been adjusted.

In addition, current activity was also adjusted on the financial statements and Village accounting records. In 2012, \$20,800 in debt payments and related property expenses were incurred while \$16,389 in rent and miscellaneous receipts were collected. In 2013, \$16,515 in debt payments and related expenses were incurred while \$9,679 in rent and miscellaneous receipts were collected.

The Village should research, obtain legal consultations, and approve detailed resolutions for property purchases made with collections from other funds. These procedures will help assure allowable and legal expenditures as well as proper accounting.

**FINDING NUMBER 2013-002
(Continued)**

The Village also approved a rental agreement for the property building in which the Village received rental revenues. The Village accepted amounts from the renters at decreased rates throughout the years due to additional maintenance the renters paid. The Village should formally document the terms of the rental agreement including the acceptance of changes in rental fees.

Officials' Response:

We did not receive a response from Officials to these findings.

**VILLAGE OF ST. PARIS
CHAMPAIGN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code § 5705.41(D) – Failure to properly encumber	Yes	
2011-002	Ohio Rev. Code § 733.28 – Lack of sound financial reporting	No	Partially Corrected Finding 2013-001 issued
2011-003	Ohio Rev. Code § 5705.36(A)(2) – Failure to request amended certificates	Yes	
2011-004	Ohio Rev. Code § 9.38 – Untimely deposits of public money	Yes	
2011-005	Significant Deficiency – Collection of additional assessment from water and sewer	Yes	
2011-006	Material Weakness - Recording payments for in kind services for sidewalk assessments	Yes	



Dave Yost • Auditor of State

VILLAGE OF ST. PARIS

CHAMPAIGN 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 22, 2014**