

Village of New London

Financial Condition

As of

December 31, 2006 and 2007

Together with Auditor's Report



Mary Taylor, CPA

Auditor of State

Village Council
Village of New London
115 E. Main Street
New London, Ohio 44851-1201

We have reviewed the *Independent Auditor's Report* of the Village of New London, Huron County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of New London is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 25, 2008

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VILLAGE OF NEW LONDON

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Independent Auditor's Report

Village of New London
Huron County
115 East Main Street
New London, Ohio 44851-1201

I have audited the accompanying financial statements of the Village of New London (the Village), as of and for the year ended December 31, 2006 and 2007. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006 and 2007. Instead of the combined funds the accompanying financial statements present for 2006 and 2007, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2006 and 2007. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2007, or its changes in financial position and cash flows for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of New London, Huron County, Ohio, as of December 31, 2006 and 2007 and its combined cash receipts and disbursements and reserves for encumbrances for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2007. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with Government Auditing Standards, I have also issued my report dated May 16, 2008, on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

Kevin L. Penn, Inc.

May 16, 2008

Village of New London
Huron County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 72,210	\$ 323,320	\$ -	\$ 395,530
Intergovernmental Receipts	191,709	131,115	4,000	326,824
Charges for Services	23,763	13,625	40,352	77,740
Fines, Licenses, and Penalties	27,573	530		28,103
Earnings on Investments	58,800	3,832		62,632
Other Revenue	117,586	21,929	15,309	154,824
Total Cash Receipts	491,641	494,351	59,661	1,045,653
Cash Disbursements:				
Current:				
Security of Persons and Property	369,715			369,715
Public Health Services	1,986			1,986
Community Environment	2,611			2,611
Transportation		105,215		105,215
General Government	222,624	115,328		337,952
Debt Service:				
Principal Payments			23,103	23,103
Interest Payments			8,330	8,330
Capital Outlay		18,107	95,664	113,771
Total Cash Disbursements	596,936	238,650	127,097	962,683
Total Receipts Over/(Under) Disbursements	(105,295)	255,701	(67,436)	82,970
Other Financing Receipts/(Disbursements)				
Transfers-In	254,749	41,974	28,824	325,547
Transfers-Out	(75,683)	(265,924)		(341,607)
Other Debt Proceeds			36,048	36,048
Other Financing Uses		(176)		(176)
Total Other Financing Receipts/(Disbursements)	179,066	(224,126)	64,872	19,812
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	73,771	31,575	(2,564)	102,782
Fund Cash Balance - January 1, 2006	397,517	243,467	169,119	810,103
Fund Cash Balance - December 31, 2006	\$ 471,288	\$ 275,042	\$ 166,555	\$ 912,885
Reserves for Encumbrances, December 31, 2006	\$ -	\$ -	\$ -	\$ -

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

Village of New London
Huron County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Enterprise Funds
For the Year Ended December 31, 2006

Operating Cash Receipts	
Charges for Services	\$ 1,557,507
Other Revenue	97,684
Total Operating Cash Receipts	<u>1,655,191</u>
Operating Cash Disbursements:	
Personal Services	679,222
Contractual Services	376,850
Supplies and Materials	146,223
Capital Outlay	63,167
Total Operating Cash Disbursements	<u>1,265,462</u>
Operating Income	<u>389,729</u>
Non-Operating Cash Receipts	
Intergovernmental Receipts	
Other Non-Operating Cash Receipts	425
Total Non-Operating Cash Receipts	<u>425</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	229,135
Debt Service - Interest and Fiscal Charges	207,821
Total Non-Operating Cash Disbursements	<u>436,956</u>
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	(46,802)
Transfers-In	60,237
Transfers-Out	(44,177)
Net Disbursements Over Receipts	<u>(30,742)</u>
Fund Cash Balance - January 1, 2006	797,049
Fund Cash Balance - December 31, 2006	<u>\$ 766,307</u>
Reserves for Encumbrances, December 31, 2006	<u>\$ -</u>

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

Village of New London
Huron County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2007

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 85,928	\$ 315,124	\$ -	\$ 401,052
Intergovernmental Receipts	169,497	155,057	16,969	341,523
Charges for Services	24,655	16,200	42,292	83,147
Fines, Licenses, and Penalties	20,122	1,329		21,451
Earnings on Investments	63,800	7,933		71,733
Other Revenue	45,174	7,978	2,373	55,525
Total Cash Receipts	409,176	503,621	61,634	974,431
Cash Disbursements:				
Current:				
Security of Persons and Property	378,845			378,845
Public Health Services	1,997			1,997
Community Environment	2,944			2,944
Transportation		118,371		118,371
General Government	258,105	110,483		368,588
Debt Service:				
Principal Payments			31,996	31,996
Interest Payments			23,263	23,263
Capital Outlay		84,033	54,792	138,825
Total Cash Disbursements	641,891	312,887	110,051	1,064,829
Total Receipts Over/(Under) Disbursements	(232,715)	190,734	(48,417)	(90,398)
Other Financing Receipts/(Disbursements)				
Transfers-In	264,524	45,431	31,136	341,091
Transfers-Out	(99,496)	(262,227)		(361,723)
Other Financing Sources		466		466
Total Other Financing Receipts/(Disbursements)	165,028	(216,330)	31,136	(20,166)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements				
	(67,687)	(25,596)	(17,281)	(110,564)
Fund Cash Balance - January 1, 2007	471,288	275,041	166,555	912,884
Fund Cash Balance - December 31, 2007	\$ 403,601	\$ 249,445	\$ 149,274	\$ 802,320
Reserves for Encumbrances, December 31, 2007	\$ -	\$ -	\$ -	\$ -

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

Village of New London
Huron County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Enterprise
Funds
For the Year Ended December 31, 2007

Operating Cash Receipts	
Charges for Services	\$ 1,739,456
Other Revenue	18,499
Total Operating Cash Receipts	<u>1,757,955</u>
Operating Cash Disbursements:	
Personal Services	664,213
Contractual Services	346,734
Supplies and Materials	168,537
Capital Outlay	36,051
Total Operating Cash Disbursements	<u>1,215,535</u>
Operating Income	<u>542,420</u>
Non-Operating Cash Receipts	
Other Non-Operating Financing Sources	34,460
Total Non-Operating Cash Receipts	<u>34,460</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	244,935
Debt Service - Interest and Fiscal Charges	214,700
Total Non-Operating Cash Disbursements	<u>459,635</u>
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	117,245
Transfers-In	113,708
Transfers-Out	(93,076)
Net Disbursements Over Receipts	<u>137,877</u>
Fund Cash Balance - January 1, 2007	766,307
Fund Cash Balance - December 31, 2007	<u>\$ 904,184</u>
Reserves for Encumbrances, December 31, 2007	<u>\$ -</u>

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

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New London, Huron County, (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. The Village is directed by a publicly-elected six-member Council. The Village provides water, sewer, and sanitation utilities, park operations, and police and fire services. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(Continued)

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

Income Tax Fund - This fund receives revenues from the Village income tax and is used to account for expenditures associated with the income tax department. Funds remaining are transferred to the General Fund and Capital Improvement Fund based upon the determination of Village Council.

The following funds have been reclassified from Expendable Trust funds to Special Revenue funds:

Cemetery Endowment Fund - This fund receives monies for the upkeep of specified cemetery buildings and lots.

Cemetery Trust Fund - This fund receives a twenty dollar charge on the sale of each cemetery lot for the upkeep of graves and buildings at the cemetery.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives revenues allocated from the Income Tax Fund used for capital purchases.

Fire Fighting Facilities Fund - This fund receives revenues from fire protection contracts. Funds are used for fire equipment purchases and facility maintenance.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitation Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Parks Department Fund - This fund receives monies from charges associated with the parks for rentals, camping, softball, the Firelands Festival, boat permits, and concessions. Revenues are used for the operation of recreational programs and maintenance of facilities.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 also approve estimated resources.

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 5.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. DEPOSITS AND INVESTMENTS

The Village maintains a cash and investment pool. The balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - Governmental Fund Type, As of December 31, 2006 and 2007."

Legal Requirements

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

2. DEPOSITS AND INVESTMENTS (continued)

Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

The Village may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, Village, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the Village.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

2. DEPOSITS AND INVESTMENTS (continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits. At year-end, the carrying amount of the Village's deposits was \$450,295 for 2007 and \$460,044 for 2006 and the bank balance was \$557,241 for 2007 and \$534,889 for 2006. Of the bank balance, \$200,000 was covered by federal depository insurance for 2007 and 2006, and \$357,241 for 2007 and \$334,889 for 2006 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments. Statutory provisions require that the Village hold all securities acquired by the Village or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Village for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Village withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Village does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

The Village has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during 2007 and 2006. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes.

STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2007 and 2006. At year end, the carrying amount of the Village's deposits with Star Ohio was \$1,256,209 for 2007 and \$1,218,948 for 2006 and the market value was \$1,256,209 for 2007 and \$1,218,948 for 2006.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Village or its agent in Village name. Category 2 includes uninsured and unregistered, with securities held by the counter-party trust department or agent in the Village.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

2. DEPOSITS AND INVESTMENTS (continued)

Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village. STAR Ohio is unclassified investments since they are not evidenced by securities that exist in physical or book entry form. Since STAR Ohio is the only investments, the categories described above do not apply.

3. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

4. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

The Village also provides health insurance coverage to full time employees through a private carrier.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2006 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,059,947	\$ 746,390	\$ (313,557)
Special Revenue	798,916	536,325	(262,591)
Capital Projects	265,989	124,533	(141,456)
Enterprise	2,537,031	1,715,428	(821,603)
Total	\$ 4,661,883	\$ 3,122,676	\$(1,539,207)

2006 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,044,628	\$ 672,619	\$ 372,009
Special Revenue	793,820	504,750	289,070
Capital Projects	246,407	127,097	119,310
Enterprise	2,512,378	1,746,170	766,208
Total	\$ 4,597,233	\$ 3,050,636	\$ 1,546,597

2007 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,187,969	\$ 673,700	\$ (514,269)
Special Revenue	847,835	549,518	(298,317)
Capital Projects	284,090	92,770	(191,320)
Enterprise	2,772,881	1,902,921	(869,960)
Total	\$ 5,092,775	\$ 3,218,909	\$(1,873,866)

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

5. BUDGETARY ACTIVITY (continued)

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 1,120,696	\$ 741,387	\$ 379,309
Special Revenue	813,500	575,114	238,386
Capital Projects	282,867	110,051	172,816
Enterprise	2,402,603	1,765,044	637,559
Total	<u>\$ 4,619,666</u>	<u>\$ 3,191,596</u>	<u>\$1,428,070</u>

6. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

Reservoir Loan	\$ 196,000	5.00%
Ohio Water Development Authority Loan (1)	28,339	8.47%
Ohio Water Development Authority Loan (2)	597,307	7.45%
United States Department of Agriculture Rural Development	133,800	5.00%
Police Cars	28,251	6.00%
Rural Water Line Bond	316,700	3.25%
Water System Improvement Bond	2,095,000	Variable
Sutton Equipment Loan	<u>80,395</u>	5.00%
Total	<u>\$3,475,792</u>	

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(Continued)

7. DEBT

The Reservoir Loan relates to the construction of the reservoir in 1973. The Ohio Water Development Authority (OWDA) loans relate to sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The Water System Improvement Bonds were issued for the water plant expansion project in 1997. The Rural Water System Improvement Bonds were issued to extend water service to New London Township residents in 1999. The Sutton Equipment Loan was for the purchase of a tanker truck, garbage truck, utility truck, and park equipment in 2002. The United States Department of Agriculture Rural Development loan relates to the purchase of fire truck in 2005.

The aggregate amounts of long-term debt maturities for the five years following 2007 are as follows:

Year	Principal	Interest	Total
2008	\$ 262,601	\$ 208,291	\$ 470,892
2009	\$ 246,377	\$ 193,149	\$ 439,526
2010	\$ 217,945	\$ 179,169	\$ 397,114
2011	\$ 232,085	\$ 166,608	\$ 398,693
2012	\$ 244,767	\$ 155,109	\$ 399,876
2013-2017	\$ 960,810	\$ 518,732	\$1,479,542
2018-2022	\$1,112,507	\$ 232,039	\$1,344,546
2023-2027	\$ 53,700	\$ 28,915	\$ 82,615
2028-2032	\$ 63,000	\$ 19,598	\$ 82,598
2033-2037	\$ 73,900	\$ 8,671	\$ 82,571
2038-2042	\$ 8,100	\$ 263	\$ 8,363
Total	<u>\$3,475,792</u>	<u>\$1,710,544</u>	<u>\$5,186,336</u>

8. PENSION PLAN

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Ohio Public Employees Retirement System

All Village full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(Continued)

8. PENSION PLAN (continued)

Ohio Public Employees Retirement System

PERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Village to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory Village for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9 percent for 2006 and 9.5 percent for 2007 of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 13.70% for 2006 and 13.85% for 2007 of covered payroll. The Village's required contributions to OPERS for the fiscal years ended December 31, 2007, 2006, and 2005 were \$33,580, \$29,722, and \$23,454 respectively.

9. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Ohio Public Employees Retirement System

The Ohio Revised Code provides statutory Village for employer contributions. The employer pension contribution rate for the Village was 13.70 percent for 2006 and 13.85 percent for 2007 of covered payroll, 4.5% for 2006 and 5% for 2007 was the portion that was used to fund health care.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(Continued)

9. POST-EMPLOYMENT BENEFITS (continued)

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2006 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

10. DEBT SERVICE TRUSTEED FUNDS

The Water Improvement trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2007, the custodian held \$331,211 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

11. LEASE COMMITMENT

The Village has entered into lease agreements with the following: RS Office Solutions for a copy machine and Ford Motor Credit Company for a Police vehicle. Rental expense for the operating lease for the years ended December 31, 2006 and 2007 were \$11,119 and \$3,399.

The total future minimum rental payments required for the operating lease are as follows:

<u>December 31,</u>	
2008	3,399
2009	3,399
2010	850

12. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.



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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 London
Huron County
115 East Main Street
New London, Ohio 44851-1201

I have audited the financial statements of Village of New London as of and for the years ended December 31, 2006 and 2007, and have issued my report thereon dated May 16, 2008. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My report on the financial statements disclosed that, as described in Note 1 to the financial statements, the Village prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of New London's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be significant deficiencies. Significant deficiencies involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Village of New London's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as 2007-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe none of the significant deficiencies described above, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of New London's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2007-1.

I noted certain matters that I reported to management of Village of New London in a separate letter dated May 16, 2008.

This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

May 16, 2008

Village of New London
Huron County

Schedule of Audit Findings
December 31, 2006 and 2007

2007-1

Financial Statement Presentation

Condition:

Expendable Trust funds were reported on the Village's financial statements.

Criteria:

The new classification system requires the elimination of the following fiduciary fund types: Nonexpendable Trust Funds and Expendable Trust Funds. These funds should be reclassified to the Special Revenue Fund.

Effect:

The financial statements were misstated.

Cause:

Inadequately designed control policies and procedures related to the preparation of the financial statements.

Recommendation:

I recommend that control procedures be implemented in order to reduce the risk of the financial statements being misstated.

Auditee's Response:

I have corrected my fund listing starting January 1, 2008 to list these funds as Special Revenue Funds.

Village of New London
Huron County

Schedule of Prior Audit Findings
December 31, 2006 and 2007

2005-1

Finding Summary:

The Village's payroll clearing account was not reconciled to a zero balance at the end of each month.

Fully Corrected?

Yes.

Current Status:

Corrected.

2005-2

Finding Summary:

The Clerk/Treasurer did not complete fiscal certificates for twenty-eight percent of disbursement transactions tested.

Fully Corrected?

Partially corrected. Has been moved to management letter comment.

Current Status:

There were several transactions which were not certified by Clerk/Treasurer prior to incurring the obligation.



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW LONDON

HURON 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
SEPTEMBER 9, 2008**