

**Village of New London**

Financial Condition

As of

December 31, 2008 and 2009

Together with Auditor's Report





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of New London  
115 East 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, 2008 through December 31, 2009. 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 5, 2010

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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, 2008 and 2009. 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, 2008 and 2009. Instead of the combined funds the accompanying financial statements present for 2008 and 2009, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2008 and 2009. 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, 2008 and 2009, 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, 2008 and 2009 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, 2008 and 2009. 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 7, 2010, 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 7, 2010

Village of New London  
Huron County  
Combined Statement of Cash Receipts, Disbursements  
and Changes in Fund Cash Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2008

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 78,934	\$ 304,511	\$ -	\$ 383,445
Intergovernmental Receipts	185,843	125,556	20,525	331,924
Charges for Services	24,800	13,950	39,853	78,603
Fines, Licenses, and Penalties	19,606	1,014		20,620
Earnings on Investments	60,798	5,850	3,106	69,754
Other Revenue	13,514	5,670	10,081	29,265
<b>Total Cash Receipts</b>	<b>383,495</b>	<b>456,551</b>	<b>73,565</b>	<b>913,611</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	310,898	28,045		338,943
Public Health Services	1,992			1,992
Community Environment	3,061			3,061
Transportation		175,271		175,271
General Government	206,095			206,095
<b>Debt Service:</b>				
Principal Payments			31,776	31,776
Interest Payments			8,359	8,359
Capital Outlay		7,848	28,038	35,886
<b>Total Cash Disbursements</b>	<b>522,046</b>	<b>211,164</b>	<b>68,173</b>	<b>801,383</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(138,551)</b>	<b>245,387</b>	<b>5,392</b>	<b>112,228</b>
<b>Other Financing Receipts/(Disbursements)</b>				
Transfers-In	280,325	42,993	10,337	333,655
Transfers-Out	(94,008)	(262,953)		(356,961)
Other Financing Proceeds		4,377		4,377
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>186,317</b>	<b>(215,583)</b>	<b>10,337</b>	<b>(18,929)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>				
	47,766	29,804	15,729	93,299
Fund Cash Balance - January 1, 2008	403,601	249,445	149,274	802,320
Fund Cash Balance - December 31, 2008	\$ 451,367	\$ 279,249	\$ 165,003	\$ 895,619
Reserves for Encumbrances, December 31, 2008	\$ 648	\$ 560	\$ -	\$ 1,208

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, 2008

Operating Cash Receipts	
Charges for Services	\$ 1,928,408
Other Revenue	38,494
Total Operating Cash Receipts	<u>1,966,902</u>
Operating Cash Disbursements:	
Personal Services	623,756
Contractual Services	326,996
Supplies and Materials	222,411
Capital Outlay	85,145
Total Operating Cash Disbursements	<u>1,258,308</u>
Operating Income	<u>708,594</u>
Non-Operating Cash Receipts	
Other Non-Operating Cash Receipts	-
Total Non-Operating Cash Receipts	<u>-</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	229,431
Debt Service - Interest and Fiscal Charges	170,159
Total Non-Operating Cash Disbursements	<u>399,590</u>
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	309,004
Transfers-In	255,898
Transfers-Out	(232,592)
Net Disbursements Over Receipts	<u>332,310</u>
Fund Cash Balance - January 1, 2008	904,184
Fund Cash Balance - December 31, 2008	<u>\$ 1,236,494</u>
Reserves for Encumbrances, December 31, 2008	<u>\$ 9,312</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 Fund Types  
For the Year Ended December 31, 2009

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 77,476	\$ 295,993	\$ -	\$ 373,469
Intergovernmental Receipts	164,639	122,482		287,121
Charges for Services	21,016	7,816	30,103	58,935
Fines, Licenses, and Penalties	14,360	318		14,678
Earnings on Investments	15,367	754	370	16,491
Other Revenue	25,087	32,463	14,782	72,332
<b>Total Cash Receipts</b>	<b>317,945</b>	<b>459,826</b>	<b>45,255</b>	<b>823,026</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	317,502	26,977		344,479
Public Health Services	1,868			1,868
Community Environment	2,764			2,764
Transportation		266,839		266,839
General Government	197,436			197,436
<b>Debt Service:</b>				
Principal Payments			33,216	33,216
Interest Payments			6,821	6,821
Capital Outlay	25,097	33	75,584	100,714
<b>Total Cash Disbursements</b>	<b>544,667</b>	<b>293,849</b>	<b>115,621</b>	<b>954,137</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(226,722)</b>	<b>165,977</b>	<b>(70,366)</b>	<b>(131,111)</b>
<b>Other Financing Receipts/(Disbursements)</b>				
Transfers-In	251,125	10,645	229	261,999
Transfers-Out	(31,285)	(244,323)		(275,608)
Advance-In		30,000		30,000
Advance-Out	(30,000)			(30,000)
Other Financing Sources			28,500	28,500
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>189,840</b>	<b>(203,678)</b>	<b>28,729</b>	<b>14,891</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(36,882)</b>	<b>(37,701)</b>	<b>(41,637)</b>	<b>(116,220)</b>
Fund Cash Balance - January 1, 2009	451,367	279,249	165,003	895,619
Fund Cash Balance - December 31, 2009	\$ 414,485	\$ 241,548	\$ 123,366	\$ 779,399
Reserves for Encumbrances, December 31, 2009	\$ 1,985	\$ 508	\$ -	\$ 2,493

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, 2009

Operating Cash Receipts	
Charges for Services	\$ 1,910,031
Other Revenue	24,652
Total Operating Cash Receipts	<u>1,934,683</u>
Operating Cash Disbursements:	
Personal Services	707,825
Contractual Services	386,634
Supplies and Materials	193,111
Capital Outlay	225,222
Total Operating Cash Disbursements	<u>1,512,792</u>
Operating Income	<u>421,891</u>
Non-Operating Cash Receipts	
Other Non-Operating Financing Sources	
Total Non-Operating Cash Receipts	<u>-</u>
Non-Operating Cash Disbursements	
Other Non-Operating Disbursements	16,790
Debt Service - Principal	186,799
Debt Service - Interest and Fiscal Charges	140,721
Total Non-Operating Cash Disbursements	<u>344,310</u>
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	77,581
Transfers-In	285,552
Transfers-Out	(271,943)
Net Disbursements Over Receipts	<u>91,190</u>
Fund Cash Balance - January 1, 2009	1,236,494
Fund Cash Balance - December 31, 2009	<u>\$ 1,327,684</u>
Reserves for Encumbrances, December 31, 2009	<u>\$ 89,911</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, 2009 AND 2008

**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, 2009 AND 2008

(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, 2009 AND 2008

(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, 2009 AND 2008  
(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 2009 and 2008 budgetary activity appears in Note 5.

**VILLAGE OF NEW LONDON  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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, 2008 and 2009."

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, 2009 AND 2008  
(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, 2009 AND 2008  
(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 \$1,632,746 for 2009 and \$456,648 for 2008 and the bank balance was \$1,499,926 for 2009 and \$468,340 for 2008. Of the bank balance, \$500,000 was covered by federal depository insurance for 2009 and \$365,435 was covered by federal depository insurance for 2008, and \$999,926 for 2009 and \$91,213 for 2008 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 2009 and 2008. 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, 2009 and 2008. At year end, the carrying amount of the Village's deposits with Star Ohio was \$474,336 for 2009 and \$1,675,465 for 2008 and the market value was \$474,336 for 2009 and \$1,675,465 for 2008.

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, 2009 AND 2008  
(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, 2009 AND 2008  
(Continued)

**5. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2008 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,120,622	\$ 663,820	\$ (456,802)
Special Revenue	789,612	503,921	(285,691)
Capital Projects	239,783	83,902	(155,881)
Enterprise	3,712,154	2,222,800	1,489,354)
Total	\$ 5,862,171	\$ 3,474,443	\$(2,387,728)

2008 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,103,328	\$ 616,702	\$ 486,626
Special Revenue	734,617	474,677	259,940
Capital Projects	212,119	68,173	143,946
Enterprise	2,660,385	1,899,802	760,583
Total	\$ 4,710,449	\$ 3,059,354	\$ 1,651,095

2009 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,075,120	\$ 569,070	\$ (506,050)
Special Revenue	803,423	500,471	(302,952)
Capital Projects	280,927	73,984	(206,943)
Enterprise	3,832,734	2,220,235	(1,612,499)
Total	\$ 5,992,204	\$ 3,363,760	\$(2,628,444)

**VILLAGE OF NEW LONDON  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(Continued)

**5. BUDGETARY ACTIVITY (continued)**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation	Budgetary	Variance
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 1,053,004	\$ 607,937	\$ 445,067
Special Revenue	773,121	538,680	234,441
Capital Projects	242,300	115,621	126,679
Enterprise	<u>3,183,500</u>	<u>2,218,956</u>	<u>964,544</u>
Total	<u>\$ 5,251,925</u>	<u>\$ 3,481,194</u>	<u>\$ 1,770,731</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, 2009 was as follows:

Reservoir Loan	\$ 123,000	5.00%
Ohio Water Development Authority Loan (2)	528,222	7.45%
United States Department of Agriculture Rural Development	104,300	5.00%
Police Cars	14,948	6.00%
Rural Water Line Bond	304,100	3.25%
Water System Improvement Bond	<u>1,920,000</u>	Variable
Total	<u>\$2,994,570</u>	

**VILLAGE OF NEW LONDON  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(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 2009 are as follows:

Year	Principal	Interest	Total
2010	\$ 217,945	\$ 179,169	\$ 397,114
2011	\$ 232,085	\$ 166,609	\$ 398,694
2012	\$ 247,193	\$ 155,207	\$ 402,400
2013	\$ 212,846	\$ 137,820	\$ 350,666
2014	\$ 228,528	\$ 124,578	\$ 353,106
2015-2019	\$1,053,872	\$ 495,647	\$1,549,519
2020-2024	\$ 623,801	\$ 211,804	\$ 835,605
2025-2029	\$ 57,300	\$ 25,366	\$ 82,666
2030-2034	\$ 67,200	\$ 15,434	\$ 82,634
2035-2039	\$ 53,800	\$ 4,056	\$ 57,856
Total	<u>\$2,994,570</u>	<u>\$1,515,690</u>	<u>\$4,510,260</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, 2009 AND 2008

(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 2008, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10.00 percent for 2008 and 10.00 percent for 2009 of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 14.00% for 2008 and 14.00% for 2009 of covered payroll. The Village's required contributions to OPERS for the fiscal years ended December 31, 2009, 2008, and 2007 were \$52,699, \$34,980, and \$33,580 respectively. 100 percent has been contributed for 2009 2008 and 2007.

**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 14.00 percent for 2008 and 14.00 percent for 2009 of covered payroll, 5% for 2008 and 5% for 2009 was the portion that was used to fund health care.

**VILLAGE OF NEW LONDON  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(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, 2009, 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, 2008 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2009. 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, 2009, the custodian held \$279,733 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, 2009 AND 2008  
(Continued)

**11. LEASE COMMITMENT**

The Village has entered into lease agreements with the following: RS Office Solutions for a copy machine. Rental expense for the operating lease for the years ended December 31, 2008 and 2009 were \$3,399 and \$3,399.

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

<u>December 31,</u> 2010	850
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**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, 2008 and 2009, and have issued my report thereon dated May 7, 2010. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of New London's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village of New London's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of New London's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

## 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 grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of Village of New London in a separate letter dated May 7, 2010.

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 7, 2010

Village of New London  
Huron County

Schedule of Audit Findings  
December 31, 2008 and 2009

There were no findings during the 2008 and 2009 calendar year.

Village of New London  
Huron County

Schedule of Prior Audit Findings  
December 31, 2008 and 2009

**2007-1**

**Financial Statement Presentation**

Finding Summary:

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

Fully Corrected?

Yes.

Current Status:

Corrected.



**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  
AUGUST 17, 2010**