



Dave Yost • Auditor of State



VILLAGE OF NEW LONDON  
HURON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2015.....	6
Notes to the Financial Statements .....	7
Schedule of Expenditures of Federal Awards.....	17
Notes to the Schedule of Expenditures of Federal Awards .....	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	21
Schedule of Findings.....	23
Summary Schedule of Prior Audit Findings .....	27
Corrective Action Plan.....	28

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of New London, Huron County, Ohio (the Village) as of and for the year ended December 31, 2015.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

***Basis for Additional Opinion Qualification***

Parks and recreation charges for services receipts are reported at \$355,865 and \$5,727 for the year ended December 31, 2015, which are 43 percent of total Special Revenue fund type receipts and 10 percent of total Capital Projects fund type receipts, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as parks and recreation charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Special Revenue Funds and Capital Project Funds of the Village of New London, Huron County, Ohio as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General Fund and Enterprise Funds as of December 31, 2015, and their combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2015, the Village changed the financial reporting presentation of the General Fund to include a fund previously classified as a special revenue fund. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 23, 2016

**This page intentionally left blank.**



VILLAGE OF NEW LONDON  
HURON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$60,053	\$19,298		\$79,351
Municipal Income Tax	392,378	196,189		588,567
Intergovernmental	87,669	115,761	\$5,000	208,430
Charges for Services	20,112	366,673	44,080	430,865
Fines, Licenses and Permits	5,574	275		5,849
Earnings on Investments	3,432	507		3,939
Miscellaneous	31,428	23,878	7,199	62,505
<i>Total Cash Receipts</i>	<u>600,646</u>	<u>722,581</u>	<u>56,279</u>	<u>1,379,506</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	202,253	230,036		432,289
Public Health Services		18,135		18,135
Leisure Time Activities		379,928		379,928
Community Environment	4,808			4,808
Transportation		120,648		120,648
General Government	358,969	8,558		367,527
Capital Outlay		64,524	45,970	110,494
Debt Service:				
Principal Retirement			26,100	26,100
Interest and Fiscal Charges			2,935	2,935
<i>Total Cash Disbursements</i>	<u>566,030</u>	<u>821,829</u>	<u>75,005</u>	<u>1,462,864</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>34,616</u>	<u>(99,248)</u>	<u>(18,726)</u>	<u>(83,358)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	3,836	102,132		105,968
Transfers Out	(93,721)	(2,734)	(1,000)	(97,455)
Other Financing Sources	1,525	20,645	1,806	23,976
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(88,360)</u>	<u>120,043</u>	<u>806</u>	<u>32,489</u>
<i>Net Change in Fund Cash Balances</i>	<u>(53,744)</u>	<u>20,795</u>	<u>(17,920)</u>	<u>(50,869)</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>358,987</u>	<u>382,849</u>	<u>94,338</u>	<u>836,174</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		284,275		284,275
Committed		119,369	76,418	195,787
Unassigned	305,243			305,243
<i>Fund Cash Balances, December 31</i>	<u>\$305,243</u>	<u>\$403,644</u>	<u>\$76,418</u>	<u>\$785,305</u>

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

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,911,903
<b>Operating Cash Disbursements</b>	
Personal Services	511,046
Employee Fringe Benefits	245,434
Contractual Services	245,582
Supplies and Materials	266,834
Other	24,007
<i>Total Operating Cash Disbursements</i>	1,292,903
<i>Operating Income</i>	619,000
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	1,570,955
Earnings on Investments	148
Capital Outlay	(1,797,404)
Principal Retirement	(153,768)
Interest and Other Fiscal Charges	(113,423)
Other Financing Sources	41,871
<i>Total Non-Operating Receipts (Disbursements)</i>	(451,621)
<i>Income before Transfers</i>	167,379
Transfers In	260,118
Transfers Out	(268,631)
<i>Net Change in Fund Cash Balances</i>	158,866
<i>Fund Cash Balances, January 1</i>	1,324,054
<i>Fund Cash Balances, December 31</i>	\$1,482,920

*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, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New London, Huron County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, cemetery maintenance, 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 belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. Note 9 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Parks and Recreation Fund - This fund receives charges for services and grants that are committed to the maintenance of parks and programs.

**3. Capital Project Funds**

These funds account for and report financial resources that are committed to expenditure

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Fire Fighting Facilities Fund – This fund receives revenues from fire protection contracts. The proceeds are being used to purchase fire equipment and facility maintenance.

Recreation Improvement Fund – This fund receives money from rentals and donations. The proceeds are used to improve recreation facilities at the reservoir.

**4. Enterprise Funds**

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

USDA SSO Project Construction Fund - This fund receives grant and loan monies from the USDA for a sewer improvement project.

**D. Budgetary Process**

The Ohio Revised Code requires 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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of budgetary activity appears in Note 4

**E. Fund Balance**

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

**1. Nonspendable**

VILLAGE OF NEW LONDON  
HURON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. FUND RECLASSIFICATION**

Beginning in 2015, the Rainy Day Fund, previously classified as a special revenue fund, was reclassified to the General Fund for financial reporting purposes as the Village deemed this

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

classification more appropriate based on the nature of the fund. This change in classification had the following effect on fund balances previously reported for the year ended December 31, 2014:

	General	Special Revenue
Fund balance December 31, 2014	\$ 332,585	\$ 409,251
Fund reclassification	26,402	(26,402)
Restated fund balance December 31, 2014	<u>\$ 358,987</u>	<u>\$ 382,849</u>

**3. EQUITY IN POOLED DEPOSITS**

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

	<u>2015</u>
Demand deposits	\$1,402,339
Certificates of deposit	760,511
Other time deposits (savings accounts)	105,375
Total deposits	<u>\$2,268,225</u>

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$972,763	\$606,007	(\$366,756)
Special Revenue	1,437,120	845,358	(591,762)
Capital Projects	85,200	58,085	(27,115)
Enterprise	7,321,555	3,784,995	(3,536,560)
Total	<u>\$9,816,638</u>	<u>\$5,294,445</u>	<u>(\$4,522,193)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$960,791	\$659,751	\$301,040
Special Revenue	1,756,558	824,563	931,995
Capital Projects	121,951	76,005	45,946
Enterprise	7,729,694	3,626,129	4,103,565
Total	<u>\$10,568,994</u>	<u>\$5,186,448</u>	<u>\$5,382,546</u>

**5. PROPERTY TAX**

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

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

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

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

**6. LOCAL INCOME TAX**

The Village levies a municipal income tax of one and one half 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, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Sewer Plant Design and Expansion Loan	\$161,707	7.45%
Mortgage Revenue Bonds - Series 2013	1,228,879	Variable
Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	3,724,000	2.13%
Water System Improvement Bond - Series 1999	100,800	3.25%
Fire Truck Bonds - 2012	54,319	3.50%
Total	<u>\$5,269,705</u>	

The Ohio Water Development Authority (OWDA) Sewer Plant Design and Expansion Loan relates to sewer plant design and expansion project that was mandated by the Ohio Environmental Protection Agency. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Mortgage Revenue Bonds – Series 2013 were issued to refinance the bonds issued in 1997 for a water plant expansion project. The bonds are collateralized by water receipts. The bonds contain a variable rate, with the lender billing the Village periodically. Accordingly, no amortization schedule is available for this debt issue. The Village made principal and interest payments of \$72,246 and \$14,359, respectively, during 2015.

The Sanitary Sewer System Mortgage Revenue Bonds – Series 2013 were issued to upgrade the Village's sanitary sewer system. Sewer receipts collateralize this loan. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Water System Improvement Bond – Series 1999 were issued to finance the extension of water service to New London Township residents in 1999. The loan is collateralized by a rural water debt

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

fee assessed to township residents in the extension area.

The Village entered into a fire truck bond to finance the purchase of a fire truck in 2012.

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

Year ending December 31:	OWDA Sewer Plan Design and Expansion Loan	Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	Water System Improvement Series 1999	Fire Truck Bonds - 2012
2016	\$90,012	\$143,835	\$6,113	\$8,929
2017	90,012	143,760	6,113	9,084
2018		143,858	6,113	9,025
2019		143,823	6,113	8,959
2020		143,859	6,113	9,086
2021-2025		719,022	30,565	17,222
2026-2030		719,164	30,565	
2031-2035		719,096	30,565	
2036-2040		719,109	24,456	
2041-2045		719,040		
2046-2050		719,153		
2051-2053		431,406		
Total	<u>\$180,024</u>	<u>\$5,465,125</u>	<u>\$146,716</u>	<u>\$62,303</u>

**8. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F participants contributed 11.5% of their wages through June 30, 2015 and 12.25% of their wages beginning July 1, 2015. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**9. RISK MANAGEMENT**

**Risk Pool Membership**

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

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



**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015 the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$16,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2015</u>	
	\$25,174

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

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

**10. INTERFUND TRANSFERS**

During 2015 the following transfers were made:

<u>Fund Type / Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$3,836	(\$93,721)
Special Revenue:		
Street Construction Maintenance and Repair	20,000	(1,123)
Parks and Recreation		(1,611)
Police Disability and Pension	25,000	
Fringe Fund	12,336	
Gifts from the Terry Wilson Memorial	44,796	
Capital Projects:		
Recreation Improvement		(1,000)
Enterprise:		
Water Operating		(99,600)
Sewer Operating		(164,697)
Sanitation		(1,834)
Storm Sewer		(2,500)
USDA Sewer Debt	143,832	
US Bank Debt	80,916	
US Bank Interest	16,339	
USDA Sewer Reserve	14,388	
USDA/RD Short Lived Asset	4,643	
Total	<u>\$366,086</u>	<u>(\$366,086)</u>

Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**11. MISCELLANEOUS RECEIPTS**

During 2015 Capital Projects fund type Miscellaneous Receipts consisted of donations and contributions.

VILLAGE OF NEW LONDON  
HURON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)

**12. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**This page intentionally left blank.**

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Assistance</b>			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 1,570,956
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,570,956</b>

*The accompanying notes are an integral part of this schedule.*

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of New London, Huron County, Ohio (the Village) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225).

**NOTE C - MATCHING REQUIREMENTS**

Certain federal programs require the Village to contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of New London, Huron County, Ohio (the Village) as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated September 23, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village reclassified a fund previously reported as a Special Revenue fund. We qualified our opinion on Special Revenue and Capital Projects fund type parks and recreation charges for services due to a lack of appropriate audit evidence.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and / or correction action plan. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 23, 2016





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Village Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the Village of New London, Huron County, Ohio's (the Village's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

### ***Management's Responsibility***

The Village's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Village of New London, Huron County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2015.

***Report on Internal Control Over Compliance***

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 23, 2016

VILLAGE OF NEW LONDON  
HURON COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse under GAAP, qualified under the regulatory basis
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list):	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

**FINDING NUMBER 2015-001**

**Noncompliance Citation / Material Weakness**

**Ohio Admin. Code § 117-2-01 (A)** provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

**Ohio Admin. Code § 117-2-01 (D)** provides that when designing the public office's system of internal control and the specific control activities, management should consider the following:

**FINDING NUMBER 2015-001  
(Continued)**

1. Ensure that all transactions are properly authorized in accordance with management's policies.
2. Ensure that accounting records are properly designed and maintained.
3. Ensure adequate security of records.
4. Plan for adequate segregation of duties or compensating controls.
5. Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
6. Perform analytical procedures to determine the reasonableness of financial data.
7. Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
8. Monitor activities performed by service organizations.

Internal controls over the Village's collection of parks and recreation charges for services receipts for the Parks and Recreation and Recreation Improvement funds were not in place and operating effectively.

The following matters were noted during procedures performed:

- Adequate source documentation was not available for 44% of charges for services transactions selected for testing. Of the receipts selected for testing, the lack of adequate supporting documentation was limited to parks and recreation charges for services receipts, which represents 80% (twelve out of fifteen receipts) of total charges for services receipts selected for testing; and
- Approved rates and / or fee schedules could not be located for 59% of charges for services transactions selected for testing. Of the receipts selected for testing, the lack of an approved rate / fee was limited to parks and recreation charges for services receipts, which represents 100% (sixteen out of sixteen receipts) of total charges for services receipts selected for testing.

Accordingly, we were unable to obtain assurances for completeness over parks and recreation charges for services receipts, which accounted for 43% of the Special Revenue Fund Type receipts and 10% of the Capital Projects Fund Type receipts for the year ended December 31, 2015. Lack of controls and lack of documentation increases the risk that misappropriation of assets or errors could occur and not be detected in a timely manner. Therefore, having no reliable source documentation to substantiate daily receipts prohibits the assurance of completeness.

We recommend the Village:

- Develop and implement a clear, concise policy for the recording of parks and recreation receipts;
- Require adequate supporting documentation maintained for all parks and recreation receipts. Such documentation may include, but is not limited to, the use duplicate receipts and duplicate receipt books, pre-numbered tickets, permits, and / or registration forms;

**Finding 2015-001  
(Continued)**

- Consider involving Village personnel currently separate of the parks and recreation receipt process into the parks and recreation receipt process. Such duties could include ticket / permit reconciliations, re-counting cash on hand, reconciling estimated to actual daily receipts, and making deposits; and
- Annually approve a parks and recreation fee schedule which details all possible charges and / or fees of the parks department, including the allocation of any fees to a fund other than the Parks and Recreation Fund.

**Officials' Response:**

See Corrective Action Plan.

**Finding 2015-002**

**Material Weakness – Financial Reporting**

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ended December 31, 2015:

- Receipts and disbursements associated with the initial one percent local income tax enacted by the Village Council in the amounts of \$392,378 and \$45,959, respectively, were reclassified from being accounted for in the Income Tax Special Revenue fund and subsequently transferred to the General Fund to being directly accounted for in the General Fund in accordance with Governmental Accounting Standards Board Statement No. 54;
- Special Revenue fund type receipts and beginning fund balance in the amounts of \$5,000 and \$26,402, respectively, were adjusted to properly account for the Rainy Day Fund within the General Fund in accordance with Governmental Accounting Standards Board Statement No. 54;
- Special Revenue fund type Committed fund balance in the amount of \$147,101 was reclassified to Restricted in order to properly classify Revolving Loan Fund balance in accordance with Governmental Accounting Standards Board Statement No. 54;
- General Fund budgeted receipts were increased \$27,406 in order to bring the accounting system and notes in line with authorized budget amounts; and
- Capital Projects fund type Intergovernmental receipts in the amount of \$5,000 were incorrectly classified as Other Financing Sources.

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements, and where applicable, the Village's accounting records have been adjusted to reflect these changes. Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

**Finding 2015-002  
(Continued)**

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statement and notes by the Fiscal Officer, to identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54: <http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>. Additionally, the Fiscal Officer can refer to the Village Officer's Handbook at the following website address for guidance on the recording of transactions: <http://www.ohioauditor.gov/publications/Final%20Village%20Officers%20Handbook%202016.pdf>.

**Officials' Response:**

See Corrective Action Plan.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

None.

VILLAGE OF NEW LONDON  
HURON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
DECEMBER 31, 2015

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material weakness for errors in financial reporting.	Partially Corrected and reissued as Finding 2015-002 in this report.	The Village correctly classified the Revolving Loan Fund, CSX Fund, and Capital Projects fund type fund balance. Special Revenue fund type fund balance was still incorrectly classified due to an incorrect mapping and fund balance classification set up in the Uniform Accounting Network (UAN).

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
DECEMBER 31, 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2015-001	The Village will utilize receipts, pre-numbered tickets, permits and/or registration forms for all recreation activities. The Fiscal Officer will balance each deposit to ensure the money being deposited matches the various activities by checking over all permits, ticket reports, receipts, etc. Village Council will annually approve a parks and recreation fee schedule.	All changes will be made immediately if possible. The fee schedule will be approved no later than October 10, 2016.	Nancy Howell, Fiscal Officer
2015-002	In November 2013, the Village switched over to the UAN Accounting System. As part of the transition, some funds were entered into the incorrect fund classifications and mapped incorrectly for external reporting. The Fiscal Officer will review fund classifications and fund balance classifications at year-end to ensure external reporting documents are accurate.	By the beginning of 2017	Nancy Howell, Fiscal Officer





# Dave Yost • 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  
OCTOBER 6, 2016