



**Auditor of State  
Betty Montgomery**



NEW LONDON TOWNSHIP  
HURON COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

New London Township  
Huron County  
5922 Townline Road 187  
New London, Ohio 44851-9409

To the Board of Trustees:

We have audited the accompanying financial statements of New London Township, Huron County, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

New London Township  
Huron County  
Independent Accountants' Report  
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This report is intended solely for the information and use of the audit committee, management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 13, 2003

**NEW LONDON TOWNSHIP  
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$19,029	\$44,546	\$63,575
Intergovernmental	47,721	64,603	112,324
Licenses, Permits, and Fees	1,319	225	1,544
Earnings on Investments	676	194	870
Other Revenue	132		132
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	68,877	109,568	178,445
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	43,947		43,947
Public Safety	8,485		8,485
Public Works	11,707	113,964	125,671
Health	3,060	150	3,210
Capital Outlay	33,739	3,450	37,189
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	100,938	117,564	218,502
	<hr/>	<hr/>	<hr/>
Total Disbursements Over Receipts	(32,061)	(7,996)	(40,057)
Fund Cash Balances, January 1	233,717	42,191	275,908
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$201,656</u></b>	<b><u>\$34,195</u></b>	<b><u>\$235,851</u></b>

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

**NEW LONDON TOWNSHIP  
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$17,830	\$41,917	\$59,747
Intergovernmental	399,686	64,997	464,683
Licenses, Permits, and Fees	2,546	425	2,971
Earnings on Investments	11,869	784	12,653
Other Revenue	874	225	1,099
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	432,805	108,348	541,153
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	37,739		37,739
Public Safety	12,366		12,366
Public Works	17,853	117,043	134,896
Health	3,467	300	3,767
Capital Outlay	313,549	7,762	321,311
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	384,974	125,105	510,079
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	47,831	(16,757)	31,074
Fund Cash Balances, January 1	185,886	58,948	244,834
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$233,717</u></b>	<b><u>\$42,191</u></b>	<b><u>\$275,908</u></b>

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

**NEW LONDON TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

New London Township, Huron County, (the Township) 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, and cemetery maintenance. The Township contracts with the Village of New London to provide fire services.

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

**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.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**NEW LONDON TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

*Road and Bridge Fund* - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

*Gasoline Tax Fund* - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

*Motor Vehicle License Tax Fund* – This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

**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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township 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 2002 and 2001 budgetary activity appears in Note 3.

**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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

**NEW LONDON TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

	2002	2001
Demand deposits	\$65,851	\$105,908
Certificates of deposit	170,000	170,000
Total deposits	\$235,851	\$275,908

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,161	\$68,877	\$26,716
Special Revenue	107,078	109,568	2,490
Total	\$149,239	\$178,445	\$29,206

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$275,878	\$100,938	\$174,940
Special Revenue	149,269	117,564	31,705
Total	\$425,147	\$218,502	\$206,645

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$389,876	\$432,805	\$42,929
Special Revenue	105,854	108,348	2,494
Total	\$495,730	\$541,153	\$45,423

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$575,763	\$384,974	\$190,789
Special Revenue	164,803	125,105	39,698
Total	\$740,566	\$510,079	\$230,487

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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

**NEW LONDON TOWNSHIP  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 Township.

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 Township.

**5. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5 percent of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5 percent of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55 percent and 65 percent of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65 percent is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

New London Township  
Huron County  
5922 Townline Road 187  
New London, Ohio 44851-9409

To the Board of Trustees:

We have audited the accompanying financial statements of New London Township, Huron County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 13, 2003. We conducted our audits 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001, 2002-002, and 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 13, 2003.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 13, 2003.

New London Township  
Huron County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 13, 2003

**NEW LONDON TOWNSHIP  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Finding For Recovery Repaid Under Audit**

Ohio Revised Code § 505.24(B)(3) provides for the amount of compensation to be received by each township trustee during fiscal year 2001. Ohio Revised Code § 507.09 (C)(3) provides for the amount of compensation to be received by the township clerk during fiscal year 2001. The compensation of the trustees and the clerk are based on the budget of the township. The term "budget" refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate. In fiscal year 2001, the original Township budget amount was in the range between \$250,000 but not more than \$500,000 through September 2001. On October 1, 2001, an amendment was made increasing the Township's estimated resources due to an Issue II project. This amendment increased the Township budget to an amount between \$500,000 but not more than \$750,000. The date of the amended certificate is the date used for calculating an increase in compensation under this section of the Revised Code. In calculating the increase in compensation due to the Trustees, the Clerk calculated the increase retroactive to January 1, 2001, resulting in overpayments to the Trustees and the Clerk in the following amounts:

Trustee	Period	Due	Year 2001	Year 2001	Overpayment
William Schwinn	01/01/01 - 09/30/01	\$5,409.00			
	10/01/01 - 12/31/01	1,912.25			
	Additional Due to Error in Prior Year	<u>424.00</u>			
			\$7,745.25	\$8,073.00	\$327.75
Moris Chapin	01/01/01 - 09/30/01	\$5,409.00			
	10/01/01 - 12/31/01	1,912.25			
	Additional Due to Error in Prior Year	<u>424.00</u>			
			\$7,745.25	\$8,073.00	\$327.75
Robert Harris	01/01/01 - 09/30/01	\$5,409.00			
	10/01/01 - 12/31/01	1,912.25			
	Additional Due to Error in Prior Year	<u>424.00</u>			
			\$7,745.25	\$8,073.00	\$327.75
Jerry Gardner	01/01/01 - 09/30/01	\$8,113.50			
	10/01/01 - 12/31/01	3,005.00			
	Additional Due to Error in Prior Year	<u>1,025.00</u>			
			\$12,143.50	\$13,187.00	\$1,043.50

We proposed a finding for recovery against trustees Schwinn, Chapin, and Harris in the amount of \$327.75 for the overpayment of compensation in fiscal year 2001. We proposed a finding for recovery against Clerk Gardner in the amount of \$1,043.50 for the overpayment of compensation in fiscal year 2001. In December 2002, Mr. Schwinn, Mr. Chapin, Mr. Harris, and Mr. Gardner had the above amounts withheld from their compensation. Accordingly, we consider this a finding for recovery repaid under audit.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Revised Code § 9.38 requires that public monies be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt unless the Township has adopted a resolution specifying a different time period. The Township took no action to establish a different time period for the deposit of public funds during the fiscal year. We noted that the bank statements included no deposits from January 1, 2002 through March 31, 2002. The Clerk-Treasurer indicated that the Township did not receive significant funds during this period, therefore, no deposits were prepared. Monthly receipts including but not limited to gasoline taxes, motor vehicle license taxes, local government, revenue assistance, and the 1<sup>st</sup> half property tax settlements would have been received during this time. The failure to deposit funds in a timely manner increases the susceptibility of monies to misplacement or misappropriation.

**FINDING NUMBER 2002-003**

**Noncompliance Citation**

Ohio Revised Code § 135.12 requires each governing board to meet every five years on the third Monday of the month next preceding the date of the expiration of its designation of depositories for the purpose of designating the public depositories of the public moneys of the subdivision, and at such meeting, shall designate such public depositories and award the moneys of the subdivision to and among the public depositories so designated for a period of five years commencing on the date of the expiration of the next preceding designation. No evidence could be located to indicate Sutton Bank had been designated a public depository following the expiration of the prior designation in January, 2002.



**Auditor of State  
Betty Montgomery**

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**NEW LONDON TOWNSHIP**

**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  
JULY 29, 2003**