



**Auditor of State
Betty Montgomery**

**VILLAGE OF NEW LONDON
HURON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of New London, Huron County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village'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 Village 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 and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 2, the Village reclassified several of its expendable and nonexpendable trust funds as special revenue funds, capital projects funds and as part of the general fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2004 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 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.

This report is intended solely for the information and use of the audit committee, management, Village Council 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 7, 2004

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**VILLAGE OF NEW LONDON
HURON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts		
Property Tax and Other Local Taxes	\$ 67,806	\$ 343,195
Intergovernmental Receipts	155,453	112,010
Charges for Services	1,524	8,415
Fines, Licenses, and Permits	19,973	683
Earnings on Investments	8,547	1,857
Office Lease	18,000	
Miscellaneous	21,732	6,782
Total Cash Receipts	293,035	472,942
Cash Disbursements		
Current:		
Security of Persons and Property	314,125	30,978
Public Health Services	1,967	12,779
Community Environment	3,022	5
Transportation		101,863
General Government	297,680	48,017
Debt Service:		
Principal Payments		
Interest Payments		
Capital Outlay	36,555	23,112
Total Cash Disbursements	653,349	216,754
Total Receipts Over/(Under) Disbursements	(360,314)	256,188
Other Financing Receipts and (Disbursements)		
Transfers-In	270,717	42,369
Other Sources	1,000	
Transfers-Out	(77,855)	(303,367)
Other Uses	(5,195)	(5,686)
Total Other Financing Receipts/(Disbursements)	188,667	(266,684)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(171,647)	(10,496)
Fund Cash Balances, January 1	669,805	161,669
Fund Cash Balances, December 31	\$ 498,158	\$ 151,173
Reserves for Encumbrances, December 31	\$ 50	

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
			\$ 411,001
	\$ 1,500		268,963
	29,443	\$ 80	39,462
			20,656
	1,183	306	11,893
			18,000
	2,781	80	31,375
	34,907	466	801,350
			345,103
			14,746
			3,027
			101,863
			345,697
\$ 25,000	16,418		41,418
3,660	3,650		7,310
	27,793		87,460
28,660	47,861		946,624
(28,660)	(12,954)	466	(145,274)
28,660	29,995		371,741
			1,000
			(381,222)
			(10,881)
28,660	29,995		(19,362)
	17,041	466	(164,636)
	108,814	33,348	973,636
	\$ 125,855	\$ 33,814	\$ 809,000
	\$ 3,800		\$ 3,850

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**VILLAGE OF NEW LONDON
HURON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,384,152
Miscellaneous	73,688
	1,457,840
Operating Cash Disbursements	
Personal Services	690,893
Contractual Services	280,844
Supplies and Materials	155,700
Capital Outlay	77,928
	1,205,365
Total Operating Cash Receipts	1,457,840
Total Operating Cash Disbursements	1,205,365
Operating Income	252,475
Non-Operating Cash Receipts	
Intergovernmental Receipts	28,275
Other Non-Operating Receipts	12,456
	40,731
Total Non-Operating Cash Receipts	40,731
Non-Operating Cash Disbursements	
Debt Service - Principal	203,374
Debt Service - Interest and Fiscal Charges	267,894
Other Non-Operating Cash Disbursements	2,363
	473,631
Total Non-Operating Cash Disbursements	473,631
Excess of Receipts Under Disbursements Before Interfund Transfers and Advances	(180,425)
Transfers-In	163,548
Transfers-Out	(154,067)
	(170,944)
Net Disbursements Over Receipts	(170,944)
Fund Cash Balances, January 1	897,863
Fund Cash Balances, December 31	\$ 726,919
Reserve for Encumbrances, December 31	\$ 1,544

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF NEW LONDON
HURON COUNTY**

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

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts		
Property Tax and Other Local Taxes	\$ 64,328	\$ 331,448
Intergovernmental Receipts	218,360	120,023
Charges for Services	663	6,815
Fines, Licenses, and Permits	30,663	430
Earnings on Investments	27,309	4,029
Office Lease	18,000	
Miscellaneous	34,003	1,360
Total Cash Receipts	393,326	464,105
Cash Disbursements		
Current:		
Security of Persons and Property	283,972	29,517
Public Health Services	1,957	10,641
Community Environment	2,580	
Transportation		82,074
General Government	139,652	48,459
Debt Service:		
Principal Payments		
Interest Payments		
Capital Outlay	63,984	56,053
Total Cash Disbursements	492,145	226,744
Total Receipts Over/(Under) Disbursements	(98,819)	237,361
Other Financing Receipts and (Disbursements)		
Debt Proceeds		
Transfers-In	261,610	31,670
Other Sources	1,270	772
Transfers-Out	(98,363)	(290,994)
Total Other Financing Receipts/(Disbursements)	164,517	(258,552)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	65,698	(21,191)
Fund Cash Balances, January 1	604,107	182,860
Fund Cash Balances, December 31	\$ 669,805	\$ 161,669
Reserves for Encumbrances, December 31	\$ 150	

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
			\$ 395,776
	\$ 3,536		341,919
	34,945		42,423
	7,983	\$ 301	31,093
			39,622
	10,885	160	18,000
	57,349	461	46,408
			915,241
			313,489
			12,598
			2,580
			82,074
			188,111
\$ 25,000	16,298		41,298
2,642			2,642
	88,533		208,570
27,642	104,831		851,362
(27,642)	(47,482)	461	63,879
	69,000		69,000
27,642	28,834		349,756
			2,042
			(389,357)
27,642	97,834		31,441
	50,352	461	95,320
	58,462	32,887	878,316
	\$ 108,814	\$ 33,348	\$ 973,636
			\$ 150

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**VILLAGE OF NEW LONDON
HURON COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,456,377
Miscellaneous	123,024
	1,579,401
Operating Cash Disbursements	
Personal Services	684,727
Contractual Services	308,866
Supplies and Materials	147,243
Capital Outlay	255,743
	1,396,579
Total Operating Cash Disbursements	1,396,579
Operating Income	182,822
Non-Operating Cash Receipts	
Intergovernmental Receipts	86,232
Debt Proceeds	170,833
Other Non-Operating Receipts	3,459
	260,524
Total Non-Operating Cash Receipts	260,524
Non-Operating Cash Disbursements	
Debt Service - Principal	289,119
Debt Service - Interest and Fiscal Charges	279,473
	568,592
Total Non-Operating Cash Disbursements	568,592
Excess of Receipts Under Disbursements Before Interfund Transfers and Advances	(125,246)
Transfers-In	130,423
Transfers-Out	(90,822)
	(85,645)
Net Disbursements Over Receipts	(85,645)
Fund Cash Balances, January 1	983,508
Fund Cash Balances, December 31	\$ 897,863
Reserve for Encumbrances, December 31	\$ 3,444

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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, 2003 AND 2002
(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.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Building Bond Fund -This fund is used to accumulate resources for the payment of debt associated with the acquisition of the municipal building.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

4. 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.

5. 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, 2003 AND 2002
(Continued)

6. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary 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.

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.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 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.

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. RECLASSIFICATIONS OF FUNDS AND RESTATEMENT OF FUND BALANCES

Certain funds have been reclassified to properly reflect their intended purpose. Certain funds previously reported as expendable and nonexpendable trust funds which were not true trust funds have been reclassified as special revenue funds, capital project funds or as part of the general fund.

The fund reclassifications had the following effect on the Village's governmental fund balances as previously reported:

	General	Special Revenue	Capital Projects	Expendable Trust	Nonexpendable Trust
Fund balance, December 31, 2001	\$ 96,883	\$ 155,813	\$ 49,307	\$ 545,031	\$ 31,282
Fund reclassifications	507,224	27,047	9,155	(512,144)	(31,282)
Adjusted fund balance, December 31, 2001	<u>\$ 604,107</u>	<u>\$ 182,860</u>	<u>\$ 58,462</u>	<u>\$ 32,887</u>	<u>\$ -</u>

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

The fund reclassifications had the following effect on the Village's governmental funds' excess of cash receipts and other financing sources over (under) cash disbursements and other financing uses as previously reported:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Nonexpendable Trust</u>
Net Income					
December 31, 2001	\$ (16,933)	\$ 14,851	\$ (41,811)	\$ 3,072	\$ 529
Reclassifications	<u>24,402</u>	<u>(21,330)</u>	<u>-</u>	<u>(2,543)</u>	<u>(529)</u>
Adjusted Net Income					
December 31, 2001	<u>\$ 7,469</u>	<u>\$ (6,479)</u>	<u>\$ (41,811)</u>	<u>\$ 529</u>	<u>\$ -</u>

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Village 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:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 157,324	\$ 206,684
STAR Ohio	<u>1,378,595</u>	<u>1,664,815</u>
Total deposits and investments	<u>\$ 1,535,919</u>	<u>\$ 1,871,499</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 675,820	\$ 564,752	\$ (111,068)
Special Revenue	544,458	515,311	(29,147)
Debt Service	34,423	28,660	(5,763)
Capital Projects	285,408	64,902	(220,506)
Expendable Trust	1,080	466	(614)
Enterprise	2,191,461	1,662,119	(529,342)
Total	<u>\$ 3,732,650</u>	<u>\$ 2,836,210</u>	<u>\$ (896,440)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,305,482	\$ 736,449	\$ 569,033
Special Revenue	660,423	525,807	134,616
Debt Service	28,660	28,660	-
Capital Projects	377,787	51,661	326,126
Expendable Trust	33,776		33,776
Enterprise	2,567,784	1,834,607	733,177
Total	<u>\$ 4,973,912</u>	<u>\$ 3,177,184</u>	<u>\$ 1,796,728</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 695,841	\$ 656,206	\$ (39,635)
Special Revenue	576,919	496,547	(80,372)
Debt Service	37,745	27,642	(10,103)
Capital Projects	174,399	155,183	(19,216)
Expendable Trust	11,150	461	(10,689)
Enterprise	2,147,330	1,970,348	(176,982)
Total	<u>\$ 3,643,384</u>	<u>\$ 3,306,387</u>	<u>\$ (336,997)</u>

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,308,609	\$ 590,658	\$ 717,951
Special Revenue	707,270	517,738	189,532
Debt Service	37,745	27,642	10,103
Capital Projects	218,030	104,831	113,199
Expendable Trust	33,337		33,337
Enterprise	2,637,609	2,059,437	578,172
Total	\$ 4,942,600	\$ 3,300,306	\$ 1,642,294

5. 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.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Reservoir Loan	\$ 375,000	5.00%
Ohio Water Development Authority Loan (1)	221,937	8.47%
Ohio Water Development Authority Loan (2)	749,914	7.45%
Municipal Building Bonds	30,000	5.00% - 6.70%
Water System Improvement Bonds	2,385,000	4.35% - 6.30%
Rural Water System Improvement Bond	339,700	3.25%
Sutton Equipment Loan	219,179	5.00%
Total	<u>\$ 4,320,730</u>	

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 Municipal Building Bonds were issued for the purchase of the Village municipal building in 1994. 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.

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

Year ending December 31:	Reservoir Loan	OWDA Loan (1)	OWDA Loan (2)	Water System Improvement Bonds
2004	\$ 47,750	\$ 58,202	\$ 86,637	\$ 213,375
2005	49,300	58,830	86,791	214,930
2006	48,700	59,510	86,956	216,150
2007	49,050	60,248	87,133	217,025
2008	48,300	30,316	87,324	216,985
2009 - 2013	242,550		440,014	1,106,725
2014 - 2018			312,203	1,106,425
2019 - 2022				865,960
Total	<u>\$ 485,650</u>	<u>\$ 267,106</u>	<u>\$ 1,187,058</u>	<u>\$ 4,157,575</u>

Year ending December 31:	Municipal Building Bonds	Rural Water System Improvement Bonds	Sutton Equipment Loan
2004	\$ 32,010	\$ 16,440	\$ 43,286
2005		16,565	43,286
2006		16,480	43,286
2007		16,591	43,286
2008		16,493	43,286
2009 - 2013		82,598	43,286
2014 - 2018		82,644	
2019 - 2023		82,563	
2024 - 2028		82,670	
2029 - 2033		82,650	
2034 - 2038		74,369	
Total	<u>\$ 32,010</u>	<u>\$ 570,063</u>	<u>\$ 259,716</u>

**VILLAGE OF NEW LONDON
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

8. RETIREMENT SYSTEMS

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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants are required to contribute 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members are required to contribute 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village also contributed 4.5 percent of all full-time employees' required contributions. The Village has paid all contributions required through December 31, 2003.

9. 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.

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, 2003, the custodian held \$299,806 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, 2003 AND 2002
(Continued)**

11. CONTINGENT LIABILITIES

The Village is defendant in one lawsuit. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL 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 the accompanying financial statements of the Village of New London, Huron County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 7, 2004, in which we noted the Village reclassified several of its expendable and nonexpendable trust funds as special revenue funds, capital projects funds and as part of the general fund. 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 Village'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 7, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings as item 2003-002. We also 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 Village in a separate letter dated June 7, 2004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated June 7, 2004.

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



Betty Montgomery
Auditor of State

June 7, 2004

**VILLAGE OF NEW LONDON
HURON COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that he is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$1,000 (\$3,000 after April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority after September 26, 2003) against any specific line item account over a period not exceeding three month or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

FINDING NUMBER 2003-001
(Continued)

- C. Super Blanket Certificate** – The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Clerk/Treasurer did not complete fiscal certificates for sixty percent of disbursement transactions tested. An additional three percent were certified after the obligations were incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the taxing authority's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, "then and now" certification should be used.

We recommend the Clerk-Treasurer certify purchases to which § 5704.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs the commitment, and only when the requirements of § 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-002

Reportable Condition

The Village's payroll clearing account was not reconciled to a zero balance at the end of each month. This resulted in excess cash remaining in the payroll account that is not included on the Village's books. Per review of the payroll account monthly reconciliations, several discrepancies were noted. Checks were included on the outstanding list which had cleared prior

FINDING NUMBER 2003-002
(Continued)

to the end of the month being reconciled. Deposits to the payroll clearing account from the general account did not equal the checks and direct deposits issued against it. Direct deposits made from the payroll account did not equal the amount on the payroll system. We recommend this account be reconciled to a zero balance monthly to ensure accuracy of financial reporting. We also reported this matter in the management letter for the audit of the 2001 and 2000 financial statements.

**VILLAGE OF NEW LONDON
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-30539-001	ORC § 5705.41(D), failure to certify funds.	No	Not corrected. Reissued in this report as finding number 2003-001
2001-30539-002	Village books did not balance with bank.	Yes	
2001-30539-003	Errors in interest revenue postings.	No	Partially corrected. Reported as a management letter comment.
2001-30539-004	Transfers In did not agree to Transfers Out	No	Not corrected. Reported as a management letter comment.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JULY 1, 2004**