



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF NEW LONDON
HURON COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2019 and 2018
Fiscal Years Audited Under GAGAS: 2019 and 2018

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpagroup.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

Village Council
Village of New London
115 East Main Street
New London, 44851

We have reviewed the *Independent Auditor's Report* of the Village of New London, Huron County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2020

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HURON COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

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 years ended December 31, 2019 and 2018.

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 such 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 2 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 *Opinion on Regulatory Basis of Accounting* paragraph 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, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of New London, Huron County as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 12 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2020, 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.



BHM CPA Group, Inc.
Piketon, Ohio
June 12, 2020

VILLAGE OF NEW LONDON
HURON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 70,900	\$ 20,764	\$ -	\$ 91,664
Municipal Income Tax	421,243	207,479	-	628,722
Intergovernmental	105,100	130,838	10,000	245,938
Charges for Services	1,350	396,679	51,781	449,810
Fines, Licenses, and Permits	27,907	9,366	-	37,273
Earnings on Investments	9,653	2,165	-	11,818
Miscellaneous	17,484	35,177	-	52,661
Total Cash Receipts	<u>653,637</u>	<u>802,468</u>	<u>61,781</u>	<u>1,517,886</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	-	496,793	-	496,793
Public Health Services	-	19,815	-	19,815
Leisure Time Activities	-	415,658	-	415,658
Community Environment	3,009	-	-	3,009
Transportation	-	210,371	-	210,371
General Government	317,420	5,400	-	322,820
Capital Outlay	14,900	1,600	86,872	103,372
Debt Service:				
Principal Retirement	-	10,858	15,581	26,439
Interest and Fiscal Charges	-	6,322	2,332	8,654
Total Cash Disbursements	<u>335,329</u>	<u>1,166,817</u>	<u>104,785</u>	<u>1,606,931</u>
Excess of Receipts Over/(Under) Disbursements	318,308	(364,349)	(43,004)	(89,045)
Other Financing Receipts (Disbursements):				
Transfers-In	8,000	280,000	-	288,000
Transfers-Out	(285,000)	(3,000)	-	(288,000)
Other Sources	3,935	13,928	5,425	23,288
Total Other Financing Receipts(Disbursements)	<u>(273,065)</u>	<u>290,928</u>	<u>5,425</u>	<u>23,288</u>
Special Item	76	-	-	76
Extraordinary Item	-	118,223	-	118,223
Net Change in Fund Cash Balances	45,319	44,802	(37,579)	52,542
Fund Cash Balances, January 1	<u>341,075</u>	<u>451,908</u>	<u>58,107</u>	<u>851,090</u>
Fund Cash Balances, December 31				
Nonspendable	58	-	-	58
Restricted	-	270,408	-	270,408
Committed	-	226,302	20,528	246,830
Assigned	352,303	-	-	352,303
Unassigned (Deficit)	<u>34,033</u>	<u>-</u>	<u>-</u>	<u>34,033</u>
Fund Cash Balances, December 31	<u>\$ 386,394</u>	<u>\$ 496,710</u>	<u>\$ 20,528</u>	<u>\$ 903,632</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>		
Operating Cash Receipts:				
Charges for Services	\$ 2,116,780	\$ -	\$ -	\$ 2,116,780
Total Operating Cash Receipts	<u>2,116,780</u>	<u>-</u>	<u>-</u>	<u>2,116,780</u>
Operating Cash Disbursements:				
Current:				
Personal Services	649,841	-	-	649,841
Employee Fringe Benefits	304,895	-	-	304,895
Contractual Services	369,482	-	-	369,482
Supplies and Materials	238,880	-	-	238,880
Other	16,434	-	-	16,434
Total Operating Cash Disbursements	<u>1,579,532</u>	<u>-</u>	<u>-</u>	<u>1,579,532</u>
Operating Income (Loss)	537,248	-	-	537,248
Non-Operating Receipts (Disbursements):				
Intergovernmental	221,566	-	-	221,566
Earnings on Investments	190	-	-	190
Other Debt Proceeds	2,726,474	-	-	2,726,474
Capital Outlay	(3,167,396)	-	-	(3,167,396)
Principal Retirement	(275,516)	-	-	(275,516)
Interest and Other Fiscal Charges	(109,694)	-	-	(109,694)
Other Financing Sources	15,865	-	-	15,865
Total Non-Operating Receipts (Disbursements)	<u>(588,511)</u>	<u>-</u>	<u>-</u>	<u>(588,511)</u>
Income (Loss) before				
Extraordinary Item and Transfers	(51,263)	-	-	(51,263)
Extraordinary Item	107,000	-	-	107,000
Transfers In	351,145	-	-	351,145
Transfers Out	(351,145)	-	-	(351,145)
Net Change in Fund Cash Balances	55,737	-	-	55,737
Fund Cash Balances, January 1	<u>1,229,000</u>	<u>2,667</u>	<u>-</u>	<u>1,231,667</u>
Fund Cash Balances, December 31	<u>\$ 1,284,737</u>	<u>\$ 2,667</u>	<u>\$ -</u>	<u>\$ 1,287,404</u>

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of New London (the village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village of New London (the village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police and Fire Fund This fund receives funds received through the additional .50% portion of income tax proceeds and for the disbursement of funds for operating expenses of the Police or Fire Departments. This fund is also supplemented by the General Fund.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure 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 recreation park and reservoir.

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.

Sewer Operating Fund This fund receives charges for services from residents to cover sanitary sewer service costs.

Agency Funds These fund are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these fund as directed by the individual, organization or other government. The Village's agency funds account for:

Unclaimed Monies Fund This fund received money from outstanding checks the village has. The money is put in this account and after five years without anyone claiming it, it is transferred to the General Fund

Fire Demolition Fund This fund receives money from "insurers as deposits to assure the rehabilitation of fire-damaged structures." After the required repairs are completed, the money is reimbursed to the property owner.

Basis of Accounting

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 Board 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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

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.

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:

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

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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$616,112	\$665,648	\$49,536
Special Revenue	1,160,380	1,214,619	54,239
Capital Projects	83,550	67,206	(16,344)
Enterprise	5,425,924	5,539,020	113,096
Total	\$7,285,966	\$7,486,493	\$200,527

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$720,756	\$620,329	\$100,427
Special Revenue	1,594,274	1,169,817	424,457
Capital Projects	368,531	104,785	263,746
Enterprise	6,225,648	5,483,283	742,365
Total	\$8,909,209	\$7,378,214	\$1,530,995

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments

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

	<u>2019</u>
Demand deposits	\$1,109,552
Certificates of deposit	972,919
Other time deposits (savings and NOW accounts)	<u>108,565</u>
Total deposits	<u>2,191,036</u>

Deposits

Deposits are insured by the Federal Deposit 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.

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management

Risk Pool Membership

The (Village) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (Village's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2019
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Social Security

The Village’s volunteer firefighters contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds - Series 2013	\$ 580,840	1-3%
Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	3,456,900	2.13%
Fire Truck Bond	24,519	3.50%
Government Lease - Garbage Truck	181,569	4.99%
Governmental Obligation Contract Lease	16,724	4.90%
Lease Purchase Agreement - Vac Truck	116,700	4.15%
OWDA Loan #7302 Reservoir Campground Pump Station	204,111	2.53%
OWDA Loan #8178 WTP Improvements	1,915,953	0%
OWDA Loan #8375 Headworks Improvements	68,149	3.42%
OPWC Loan #CI17U Plant Improvements	599,372	0%
OPWC Loan #CI19S Birch Park Drive Improvements	89,424	0%
Total	\$ 7,254,261	

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 an interest rate from 1% to 3% depending on the year, with the lender billing the Village monthly. No amortization schedule is available for this loan.

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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Government Obligation Contract Lease was issued in 2017 for new turnout gear for the fire department. The Village borrowed \$40,000 for the gear and it will be paid over the next five years. The interest rate is 4.9% and paid once year and will be paid in full in 2021.

The Village entered a fire truck bond to finance the purchase of a fire truck in 2012. This bond was originally for \$75,000 at an interest rate of 3.5%. This loan is paid once a year and for 10 years and will be paid in full in 2022.

The Government Lease-Purchase agreement for a new garbage truck was issued on July 6, 2018. The Village borrowed \$188,500 for the truck and it will be paid semiannually over the next seven years at an interest rate of 4.99%.

The Master Lease Purchase Agreement was issued to purchase a VacAll Vacuum Truck on a Freightliner 108SD Chassis. The lease was for \$143,000 and payments began in 2019. The lease is paid twice a year for five years and will be completely paid in November of 2023. The interest rate on this lease is 4.15%. The cost of the truck is split between the Water, Sewer and Storm Sewer Funds.

OWDA Loan #7302 for the construction of a pump station and force main to eliminate an existing on-site wastewater treatment package plant at the New London Reservoir Campground was closed out on September 25, 2019. The final amount of the loan is \$231,270 and will be paid over 20 years. The project came in under budget, so the full approved amount of the loan was not used. Due to the lower loan amount, the payments made in 2017, 2018 and 2019 were overpaid. This overpayment will be reflected in the first payment made in 2020. This loan has an interest rate of 2.53% and is paid twice a year. The loan will be paid in full at the beginning of 2037 and is paid out of the Recreation Fund.

The OPWC Loan CI19S for Birch Park Drive improvements was initialized in 2017 and will be paid over 22 years. This loan was used to extend the storm sewer on Birch Park Drive to reduce flooding and to resurface the street. This is an interest free loan and will be paid twice a year was originally for \$100,889. It will be paid in full in 2039.

The OPWC Loan CI17U for Water Treatment Plant Improvements was initialized in 2019 and will be paid over 30 years. The first payment will be made in January of 2020 and the final payment will be made in 2049. This loan is for \$599,372 and is interest free. This loan was for the engineering costs associated with the Water Treatment Plant Improvements.

OWDA Loan #8178 for WTP Improvements has not yet been completed and there is no amortization schedule available at this time. As of December 31, 2019, the Village has financed \$1,915,953.

OWDA Loan #8375 for Headworks Improvements has not yet been completed and there is no amortization schedule available at this time. As of December 31, 2019, the Village has financed \$68,149.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	Turnout Gear Lease	Garbage Truck Lease	Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	Fire Truck Bonds - 2012	OPWC Birch Park Drive Improvements	OWDA #7302	OPWC Water Treatment Plant	Vac Truck Lease
2020	\$ 8,982	\$ 33,108	\$ 143,859	\$ 9,058	\$ 4,586	\$ 14,806	\$ 19,979	\$ 31,964
2021	8,982	33,108	143,763	8,971	4,586	14,806	19,979	31,964
2022	-	33,108	143,837	8,196	4,586	14,806	19,979	31,964
2023	-	33,108	143,778	-	4,586	14,806	19,979	31,964
2024	-	33,108	143,886	-	4,586	14,806	19,979	-
2025-2029	-	33,108	719,027	-	22,929	74,031	99,895	-
2030-2034	-	-	719,122	-	22,929	74,031	99,895	-
2035-2039	-	-	719,102	-	20,636	37,016	99,895	-
2040-2044	-	-	719,119	-	-	-	99,895	-
2045-2049	-	-	719,047	-	-	-	99,897	-
2050-2054	-	-	575,308	-	-	-	-	-
Total	<u>\$17,964</u>	<u>\$198,648</u>	<u>\$ 4,889,848</u>	<u>\$ 26,225</u>	<u>\$ 89,424</u>	<u>\$259,108</u>	<u>\$599,372</u>	<u>\$127,856</u>

Note 10 - Interfund Transfers

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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2019

During 2019 the following transfers were made:

Fund	Transfer In	Transfer Out
General	\$ -	\$ (285,000)
Rainy Day	5,000	-
CSX	3,000	-
Special Revenue:		
Street Construction Maintenance and Repair	20,000	-
Cemetery	-	(1,000)
Parks and Recreation	-	(2,000)
Police and Fire	220,000	-
Police Disability and Pension	40,000	-
Enterprise:		
Water Operating	-	(188,282)
Sewer Operating	-	(162,863)
USDA Sewer Debt	143,832	-
US Bank Debt	168,798	-
US Bank Interest	19,484	-
USDA Sewer Reserve	14,388	-
USDA/RD Short Lived Asset	4,643	-
Total	<u>\$ 639,145</u>	<u>\$ (639,145)</u>

Note 11 – 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.

Note 12 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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VILLAGE OF NEW LONDON
HURON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 66,259	\$ 20,364	\$ -	\$ 86,623
Municipal Income Tax	402,808	198,399	-	601,207
Intergovernmental	86,541	118,774	13,935	219,250
Charges for Services	-	384,926	52,658	437,584
Fines, Licenses, and Permits	27,552	7,187	-	34,739
Earnings on Investments	5,897	1,301	-	7,198
Miscellaneous	20,730	17,517	-	38,247
Total Cash Receipts	<u>609,787</u>	<u>748,468</u>	<u>66,593</u>	<u>1,424,848</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	-	487,338	-	487,338
Public Health Services	-	31,121	-	31,121
Leisure Time Activities	-	341,462	-	341,462
Community Environment	3,572	-	-	3,572
Transportation	-	126,775	-	126,775
General Government	324,233	9,663	-	333,896
Capital Outlay	166,329	1,701	56,066	224,096
Debt Service:				
Principal Retirement	-	10,589	15,017	25,606
Interest and Fiscal Charges	-	6,591	2,961	9,552
Total Cash Disbursements	<u>494,134</u>	<u>1,015,240</u>	<u>74,044</u>	<u>1,583,418</u>
Excess of Receipts Over/(Under) Disbursements	115,653	(266,772)	(7,451)	(158,570)
Other Financing Receipts (Disbursements):				
Other Debt Proceeds	147,581	-	-	147,581
Transfers-In	14,058	272,900	-	286,958
Transfers-Out	(277,900)	(9,000)	-	(286,900)
Other Sources	2,666	11,335	580	14,581
Total Other Financing Receipts(Disbursements)	<u>(113,595)</u>	<u>275,235</u>	<u>580</u>	<u>162,220</u>
Net Change in Fund Cash Balances	2,058	8,463	(6,871)	3,650
Fund Cash Balances, January 1 <i>(Restated)</i>	<u>339,017</u>	<u>443,445</u>	<u>64,978</u>	<u>847,440</u>
Fund Cash Balances, December 31				
Nonspendable	58	-	-	58
Restricted	-	318,673	-	318,673
Committed	-	133,235	58,107	191,342
Assigned	313,583	-	-	313,583
Unassigned (Deficit)	27,434	-	-	27,434
Fund Cash Balances, December 31	<u>\$ 341,075</u>	<u>\$ 451,908</u>	<u>\$ 58,107</u>	<u>\$ 851,090</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Types</u> <u>Fiduciary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 2,088,230	\$ -	\$ 2,088,230
Total Operating Cash Receipts	<u>2,088,230</u>	<u>-</u>	<u>2,088,230</u>
Operating Cash Disbursements:			
Current:			
Personal Services	605,473	-	605,473
Employee Fringe Benefits	254,460	-	254,460
Contractual Services	300,179	-	300,179
Supplies and Materials	263,255	-	263,255
Other	18,397	2,000	20,397
Total Operating Cash Disbursements	<u>1,441,764</u>	<u>2,000</u>	<u>1,443,764</u>
Operating Income (Loss)	646,466	(2,000)	644,466
Non-Operating Receipts (Disbursements):			
Intergovernmental	19,952	-	19,952
Earnings on Investments	71	-	71
Other Debt Proceeds	188,500	-	188,500
Capital Outlay	(455,298)	-	(455,298)
Principal Retirement	(234,179)	-	(234,179)
Interest and Other Fiscal Charges	(99,427)	-	(99,427)
Other Financing Sources	6,042	-	6,042
Total Non-Operating Receipts (Disbursements)	<u>(574,339)</u>	<u>-</u>	<u>(574,339)</u>
Income (Loss) before Special Item, Extraordinary Item and Transfers	72,127	(2,000)	70,127
Special Item	-	4,667	4,667
Extraordinary Item	2,305	-	2,305
Transfers In	348,027	-	348,027
Transfers Out	(348,085)	-	(348,085)
Net Change in Fund Cash Balances	74,374	2,667	77,041
Fund Cash Balances, January 1 <i>(Restated)</i>	<u>1,154,626</u>	<u>-</u>	<u>1,154,626</u>
Fund Cash Balances, December 31	<u>\$ 1,229,000</u>	<u>\$ 2,667</u>	<u>\$ 1,231,667</u>

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of New London (the village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village of New London (the village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police and Fire Fund This fund receives funds received through the additional .50% portion of income tax proceeds and for the disbursement of funds for operating expenses of the Police or Fire Departments. This fund is also supplemented by the General Fund.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure 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 recreation park and reservoir.

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.

Sewer Operating Fund This fund receives charges for services from residents to cover sanitary sewer service costs.

Agency Funds These fund are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these fund as directed by the individual, organization or other government. The Village's agency funds account for:

Unclaimed Monies Fund This fund received money from outstanding checks the village has. The money is put in this account and after five years without anyone claiming it, it is transferred to the General Fund

Fire Demolition Fund This fund receives money from "insurers as deposits to assure the rehabilitation of fire-damaged structures." After the required repairs are completed, the money is reimbursed to the property owner.

Basis of Accounting

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 Board 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.

Budgetary Process

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

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.

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:

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

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.

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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$613,499	\$774,092	\$160,593
Special Revenue	1,134,454	1,032,703	(101,751)
Capital Projects	68,000	67,173	(827)
Enterprise	2,583,875	2,653,127	69,252
Fiduciary	0	4,667	4,667
Total	\$4,399,828	\$4,531,762	\$131,934

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$834,995	\$772,034	\$62,961
Special Revenue	1,530,162	1,024,240	505,922
Capital Projects	164,860	74,044	90,816
Enterprise	3,401,310	2,578,753	822,557
Fiduciary	0	2,000	(2,000)
Total	\$5,931,327	\$4,451,071	\$1,480,256

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments

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

	<u>2018</u>
Demand deposits	\$1,011,703
Certificates of deposit	963,955
Other time deposits (savings and NOW accounts)	<u>107,099</u>
Total deposits	<u>2,082,757</u>

Deposits

Deposits are insured by the Federal Deposit 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.

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Ohio Police and Fire Retirement System

The Village’s full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2018.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Social Security

The Village’s volunteer firefighters contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds - Series 2013	\$ 749,638	1-3%
Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	3,525,800	2.13%
Fire Truck Bond	32,319	3.50%
Government Lease - Garbage Truck	188,500	4.99%
Governmental Obligation Contract Lease	24,505	4.90%
OWDA Loan #7302 Reservoir Campground Pump Station	214,969	2.53%
OPWC Loan #CI19S Birch Park Drive Improvements	94,011	0%
Total	<u>\$ 4,829,742</u>	

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 an interest rate from 1% to 3% depending on the year, with the lender billing the Village monthly. No amortization schedule is available for this loan.

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 Government Obligation Contract Lease was issued in 2017 for new turnout gear for the fire department. The Village borrowed \$40,000 for the gear and it will be paid over the next five years. The interest rate is 4.9% and paid once year and will be paid in full in 2021.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village entered a fire truck bond to finance the purchase of a fire truck in 2012. This bond was originally for \$75,000 at an interest rate of 3.5%. This loan is paid once a year and for 10 years and will be paid in full in 2022.

OWDA Loan #7302 for the construction of a pump station and force main to eliminate an existing on-site wastewater treatment package plant at the New London Reservoir Campground has no completed amortization schedule available at the end of 2018. Accordingly, the schedule below does not reflect future debt service payments for this loan.

The OPWC Loan CI19S for Birch Park Drive improvements was initialized in 2017 and will be paid over 22 years. This loan was used to extend the storm sewer on Birch Park Drive to reduce flooding and to resurface the street. This is an interest free loan and will be paid twice a year was originally for \$100,889. It will be paid in full in 2039.

The Government Lease-Purchase agreement for a new garbage truck was issued on July 6, 2018. The Village borrowed \$188,500 for the truck and it will be paid semiannually over the next seven years at an interest rate of 4.99%.

Amortization

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

Year Ending December 31:	Turnout Gear Lease	Garbage Truck Lease	Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	Fire Truck Bonds - 2012	OPWC Birch Park Drive Improvements
2019	\$ 8,982	\$ 16,554	\$ 143,823	\$ 8,931	\$ 4,586
2020	8,982	33,108	143,859	9,058	4,586
2021	8,982	33,108	143,763	8,971	4,586
2022	-	33,108	143,837	8,196	4,586
2023	-	33,108	143,778	-	4,586
2024-2028	-	82,770	719,113	-	22,930
2029-2033	-	-	719,149	-	22,930
2034-2038	-	-	719,072	-	22,930
2039-2043	-	-	719,049	-	-
2044-2048	-	-	719,170	-	-
2049-2053	-	-	719,060	-	-
Total	<u>\$ 26,946</u>	<u>\$ 231,756</u>	<u>\$ 5,033,672</u>	<u>\$ 35,156</u>	<u>\$ 91,720</u>

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 - Interfund Transfers

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.

During 2018 the following transfers were made:

Fund	Transfer In	Transfer Out
General	\$ -	\$ (265,000)
Rainy Day	5,000	-
CSX	9,000	(12,900.00)
Unclaimed Monies	58	-
Special Revenue:		
Cemetery	12,900	-
Parks and Recreation	-	(4,000)
Police and Fire	220,000	-
Police Disability and Pension	40,000	-
Gifts from the Terry Wilson Memorial		(5,000)
Enterprise:		
Water Operating	-	(185,164)
Sewer Operating	-	(162,863)
USDA Sewer Debt	143,832	-
US Bank Debt	162,094	-
US Bank Interest	23,070	-
USDA Sewer Reserve	14,388	-
USDA/RD Short Lived Asset	4,643	-
Water Trust Fund	-	(58)
Total	<u>\$634,985</u>	<u>\$ (634,985)</u>

Note 11 – Contingent Liabilities

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Note 12 – Restatement of Beginning Cash Balances

A restatement was made to beginning cash balances to correct the cash balances due to errors identified while trying to balance bank statements. The Village accepts credit card payments for utility bills and other charges. In the past, it was difficult to reconcile those payments allowing for errors to accumulate over the years. A new credit card procedure is now in place and the bank statements balance monthly. The adjustments had for the following effect on the cash balances as reported:

	<u>General Fund</u>
Cash Balance January 1, 2018	\$ 338,668
Adjustments:	
Fund Balance Adjustment - General Fund	<u>349</u>
Restated cash Balance, January 1, 2018	<u>\$ 339,017</u>
	<u>Special Revenue Funds</u>
Cash Balance January 1, 2018	\$ 443,357
Adjustments:	
Fund Balance Adjustment - Street Fund	1
Fund Balance Adjustment - Parks and Recreation Fund	18
Fund Balance Adjustment - Police and Fire Fund	<u>69</u>
Restated cash Balance, January 1, 2018	<u>\$ 443,445</u>
	<u>Enterprise Funds</u>
Cash Balance January 1, 2018	\$ 1,149,588
Adjustments:	
Fund Balance Adjustment - Water Operating Fund	1,611
Fund Balance Adjustment - Sewer Operating Fund	1,761
Fund Balance Adjustment - Sanitation Fund	1,411
Fund Balance Adjustment - Storm Sewer	251
Fund Balance Adjustment - Water Trust	<u>4</u>
Restated cash Balance, January 1, 2018	<u>\$ 1,154,626</u>



**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

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, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 12, 2020 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 financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

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 opinions 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness. We consider finding 2019-002 to be a material weakness.

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 2019-001.

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 report is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
June 12, 2020

VILLAGE OF NEW LONDON
HURON COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FINDING NUMBER 2019-001

Noncompliance – *Timely Deposits*

Ohio Rev. Code § 9.38 provides that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The Council has not taken action to extend the time period for deposits under \$1,000 to three business days after receipt.

It was noted that 26% of receipts tested during 2018 and 33% of receipts tested during 2019 were not deposited in accordance with ORC 9.38

We recommend that Village implement the necessary internal controls to ensure that the deposits are completed in a timely manner.

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2019-002

Material Weakness - *Financial Reporting*

Sound financial reporting is the responsibility of the fiscal officer and council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Intergovernmental Revenue;
- Debt Proceeds;
- Capital Outlay

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officers Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Officials Response: We did not receive a response to this finding.

VILLAGE OF NEW LONDON
HURON COUNTY
DECEMBER 31, 2019 AND 2018

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Material Weakness / Noncompliance Ohio Admin. Code 117-2-01(A) Ohio Admin. Code 117-2-01(D)	Yes	
2017-002	Material Weakness/Noncompliance – ORC 5705.41(D)(1)	Yes	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NEW LONDON

HURON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/25/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov