



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF NEW LONDON  
HURON COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of New London  
Huron County  
115 East Main Street  
New London, Ohio 44851-1292

To the Village Council:

We have audited the accompanying financial statements of the Village of New London (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2002 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 audit.

This report is intended solely for the information and use of 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

May 29, 2002

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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, 2001**

|  | <b>Governmental Fund Types</b> |                            |
|--|--------------------------------|----------------------------|
|  | <b>General</b>                 | <b>Special<br/>Revenue</b> |
| <b>Cash Receipts:</b>  |                                |                            |
| Property Tax and Other Local Taxes   | \$62,866                       |                            |
| Intergovernmental Receipts   | 197,929                        | \$92,695                   |
| Charges for Services   | 25,827                         | 13,320                     |
| Fines, Licenses, and Permits   | 14,569                         | 550                        |
| Earnings on Investments  | 9,590                          | 5,129                      |
| Miscellaneous  | 26,148                         | 2,494                      |
|  | <u>336,929</u>                 | <u>114,188</u>             |
| <b>Total Cash Receipts</b>   |                                |                            |
| <b>Cash Disbursements:</b>   |                                |                            |
| Current:   |                                |                            |
| Security of Persons and Property   | 331,996                        | 441                        |
| Public Health Services   | 1,972                          | 15,891                     |
| Community Environment  | 1,490                          |                            |
| Transportation   |                                | 84,382                     |
| General Government   | 206,744                        |                            |
| Debt Service:  |                                |                            |
| Principal Payments   |                                |                            |
| Interest Payments  |                                |                            |
| Capital Outlay   | 14,156                         |                            |
|  | <u>556,358</u>                 | <u>100,714</u>             |
| <b>Total Cash Disbursements</b>  |                                |                            |
| Total Receipts Over/(Under) Disbursements  | <u>(219,429)</u>               | <u>13,474</u>              |
| <b>Other Financing Receipts/(Disbursements):</b>   |                                |                            |
| Sale of Bonds or Notes   |                                |                            |
| Transfers-In   | 278,021                        | 180                        |
| Other Sources  | 15,062                         | 1,728                      |
| Transfers-Out  | (66,171)                       | (180)                      |
| Other Uses   | (24,416)                       | (352)                      |
|  | <u>202,496</u>                 | <u>1,376</u>               |
| <b>Total Other Financing Receipts/(Disbursements)</b>  |                                |                            |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (16,933)                       | 14,850                     |
| Fund Cash Balances, January 1  | <u>113,816</u>                 | <u>140,963</u>             |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$96,883</u></b>         | <b><u>\$155,813</u></b>    |
| Reserves for Encumbrances, December 31   | <u></u>                        | <u>\$200</u>               |

*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    |                          |
|                         |                  | \$351,729           | \$414,595                |
|                         |                  | 12,921              | 303,545                  |
|                         | \$23,800         | 1,350               | 64,297                   |
|                         |                  |                     | 15,119                   |
|                         | 4,386            | 23,023              | 42,128                   |
|                         | 14,142           | 3,514               | 46,298                   |
|                         | 42,328           | 392,537             | 885,982                  |
|                         |                  | 27,032              | 359,469                  |
|                         |                  |                     | 17,863                   |
|                         |                  |                     | 1,490                    |
|                         |                  |                     | 84,382                   |
|                         |                  | 49,114              | 255,858                  |
| \$25,000                | 14,308           |                     | 39,308                   |
| 6,873                   | 1,990            |                     | 8,863                    |
|                         | 99,972           |                     | 114,128                  |
| 31,873                  | 116,270          | 76,146              | 881,361                  |
| (31,873)                | (73,942)         | 316,391             | 4,621                    |
| 28,500                  | 30,850           | 15,256              | 352,807                  |
|                         | 1,281            | 174                 | 18,245                   |
|                         |                  | (328,725)           | (395,076)                |
|                         |                  | (25)                | (24,793)                 |
| 28,500                  | 32,131           | (313,320)           | (48,817)                 |
| (3,373)                 | (41,811)         | 3,071               | (44,196)                 |
| 3,373                   | 91,118           | 541,960             | 891,230                  |
|                         | <b>\$49,307</b>  | <b>\$545,031</b>    | <b>\$847,034</b>         |
|                         |                  |                     | \$200                    |

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**VILLAGE OF NEW LONDON  
HURON COUNTY**

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

|  | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|----------------------------------|--------------------------------|---|
|  | <u>Enterprise</u>                | <u>Nonexpendable<br/>Trust</u> |   |
| <b>Operating Cash Receipts:</b>  |                                  |                                |   |
| Charges for Services   | \$1,338,682                      |                                | \$1,338,682                             |
| Miscellaneous  | 119,545                          | \$305                          | 119,850                                 |
| Total Operating Cash Receipts  | <u>1,458,227</u>                 | <u>305</u>                     | <u>1,458,532</u>                        |
| <b>Operating Cash Disbursements:</b>   |                                  |                                |   |
| Personal Services  | 739,041                          |                                | 739,041                                 |
| Contractual Services   | 279,417                          |                                | 279,417                                 |
| Supplies and Materials   | 188,997                          |                                | 188,997                                 |
| Capital Outlay   | 32,115                           |                                | 32,115                                  |
| Total Operating Cash Disbursements   | <u>1,239,570</u>                 |                                | <u>1,239,570</u>                        |
| Operating Income   | <u>218,657</u>                   | <u>305</u>                     | <u>218,962</u>                          |
| <b>Non-Operating Cash Receipts:</b>  |                                  |                                |   |
| Earnings on Investments  | 30,573                           | 658                            | 31,231                                  |
| Intergovernmental Receipts   | 184,765                          |                                | 184,765                                 |
| Other Non-Operating Receipts   | 18,348                           |                                | 18,348                                  |
| Total Non-Operating Cash Receipts  | <u>233,686</u>                   | <u>658</u>                     | <u>234,344</u>                          |
| <b>Non-Operating Cash Disbursements:</b>   |                                  |                                |   |
| Principal  | 189,075                          |                                | 189,075                                 |
| Interest and Fiscal Charges  | 268,529                          |                                | 268,529                                 |
| Other Non-Operating Cash Disbursements   | 23,683                           | 75                             | 23,758                                  |
| Total Non-Operating Cash Disbursements   | <u>481,287</u>                   | <u>75</u>                      | <u>481,362</u>                          |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | (28,944)                         | 888                            | (28,056)                                |
| Transfers-In   | 90,378                           |                                | 90,378                                  |
| Transfers-Out  | (47,750)                         | (359)                          | (48,109)                                |
| Net Receipts Over/(Under) Disbursements  | 13,684                           | 529                            | 14,213                                  |
| Fund Cash Balances, January 1  | <u>969,824</u>                   | <u>30,753</u>                  | <u>1,000,577</u>                        |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$983,508</u></b>          | <b><u>\$31,282</u></b>         | <b><u>\$1,014,790</u></b>               |
| Reserve for Encumbrances, December 31  | <u>\$1,056</u>                   |                                | <u>\$1,056</u>                          |

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

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

|  | <b>Governmental Fund Types</b> |                            |
|--|--------------------------------|----------------------------|
|  | <b>General</b>                 | <b>Special<br/>Revenue</b> |
| <b>Cash Receipts:</b>  |                                |                            |
| Property Tax and Other Local Taxes   | \$58,883                       |                            |
| Intergovernmental Receipts   | 167,799                        | \$118,555                  |
| Charges for Services   | 60,873                         | 10,275                     |
| Fines, Licenses, and Permits   | 16,831                         | 654                        |
| Earnings on Investments  | 7,807                          | 5,460                      |
| Miscellaneous  | 16,620                         | 1,245                      |
|  | <b>328,813</b>                 | <b>136,189</b>             |
| <b>Cash Disbursements:</b>   |                                |                            |
| Current:   |                                |                            |
| Security of Persons and Property   | 398,009                        | 1,385                      |
| Public Health Services   |                                | 21,876                     |
| Leisure Time Activities  |                                |                            |
| Community Environment  | 1,912                          |                            |
| Transportation   |                                | 147,102                    |
| General Government   | 200,496                        |                            |
| Debt Service:  |                                |                            |
| Principal Payments   |                                |                            |
| Interest Payments  |                                |                            |
| Capital Outlay   | 6,738                          |                            |
|  | <b>607,155</b>                 | <b>170,363</b>             |
| Total Cash Disbursements   | <b>607,155</b>                 | <b>170,363</b>             |
| Total Receipts Over/(Under) Disbursements  | <b>(278,342)</b>               | <b>(34,174)</b>            |
| <b>Other Financing Receipts/(Disbursements):</b>   |                                |                            |
| Sale of Bonds or Notes   |                                |                            |
| Transfers-In   | 297,948                        | 12,876                     |
| Other Sources  | 4,620                          | 130                        |
| Transfers-Out  | (84,084)                       | (1,100)                    |
| Other Uses   | (7,037)                        | (56)                       |
|  | <b>211,447</b>                 | <b>11,850</b>              |
| Total Other Financing Receipts/(Disbursements)   | <b>211,447</b>                 | <b>11,850</b>              |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | <b>(66,895)</b>                | <b>(22,324)</b>            |
| Fund Cash Balances January 1   | <b>180,711</b>                 | <b>163,287</b>             |
| <b>Fund Cash Balances, December 31</b>   | <b>\$113,816</b>               | <b>\$140,963</b>           |
| Reserves for Encumbrances, December 31   | <b>\$165</b>                   | <b>\$200</b>               |

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

| <u>Governmental Fund Types</u> |                             | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--------------------------------|-----------------------------|--------------------------------|---|
| <u>Debt<br/>Service</u>        | <u>Capital<br/>Projects</u> | <u>Expendable<br/>Trust</u>    |   |
|                                |                             | \$353,208                      | \$412,091                               |
|                                | \$11,000                    | 957                            | 298,311                                 |
|                                | 26,880                      | 1,141                          | 99,169                                  |
|                                |                             |                                | 17,485                                  |
|                                | 3,795                       | 32,026                         | 49,088                                  |
|                                | 2,472                       | 10,901                         | 31,238                                  |
|                                | <u>44,147</u>               | <u>398,233</u>                 | <u>907,382</u>                          |
|                                |                             |                                |   |
|                                |                             | 32,558                         | 431,952                                 |
|                                |                             |                                | 21,876                                  |
|                                |                             | 2,573                          | 2,573                                   |
|                                |                             |                                | 1,912                                   |
|                                |                             |                                | 147,102                                 |
|                                |                             | 37,226                         | 237,722                                 |
| \$25,000                       | 28,275                      |                                | 53,275                                  |
| 8,423                          | 3,794                       |                                | 12,217                                  |
|                                | 56,568                      |                                | 63,306                                  |
| <u>33,423</u>                  | <u>88,637</u>               | <u>72,357</u>                  | <u>971,935</u>                          |
| <u>(33,423)</u>                | <u>(44,490)</u>             | <u>325,876</u>                 | <u>(64,553)</u>                         |
|                                |                             |                                |   |
| 33,413                         | 32,216                      | 31,951                         | 408,404                                 |
|                                | 1,338                       | 1,278                          | 7,366                                   |
|                                | (1,555)                     | (332,317)                      | (419,056)                               |
| <u>(406)</u>                   | <u>(4,166)</u>              | <u>(13,382)</u>                | <u>(25,047)</u>                         |
| <u>33,007</u>                  | <u>27,833</u>               | <u>(312,470)</u>               | <u>(28,333)</u>                         |
|                                |                             |                                |   |
| (416)                          | (16,657)                    | 13,406                         | (92,886)                                |
| 3,789                          | 107,775                     | 528,554                        | 984,116                                 |
| <u>\$3,373</u>                 | <u>\$91,118</u>             | <u>\$541,960</u>               | <u>\$891,230</u>                        |
|                                |                             |                                | \$365                                   |

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**VILLAGE OF NEW LONDON  
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

|  | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|----------------------------------|--------------------------------|---|
|  | <u>Enterprise</u>                | <u>Nonexpendable<br/>Trust</u> |   |
| <b>Operating Cash Receipts:</b>  |                                  |                                |   |
| Charges for Services   | \$1,307,894                      | \$5                            | \$1,307,899                             |
| Miscellaneous  | 125,952                          | 95                             | 126,047                                 |
|  | <u>1,433,846</u>                 | <u>100</u>                     | <u>1,433,946</u>                        |
| <b>Operating Cash Disbursements:</b>   |                                  |                                |   |
| Personal Services  | 642,125                          |                                | 642,125                                 |
| Contractual Services   | 312,689                          |                                | 312,689                                 |
| Supplies and Materials   | 130,363                          |                                | 130,363                                 |
| Capital Outlay   | 111,343                          |                                | 111,343                                 |
|  | <u>1,196,520</u>                 |                                | <u>1,196,520</u>                        |
| Operating Income   | <u>237,326</u>                   | <u>100</u>                     | <u>237,426</u>                          |
| <b>Non-Operating Cash Receipts:</b>  |                                  |                                |   |
| Earnings on Investments  | 60,023                           | 838                            | 60,861                                  |
| Intergovernmental Receipts   | 81,849                           |                                | 81,849                                  |
| Other Non-Operating Receipts   | 108,262                          | 831                            | 109,093                                 |
|  | <u>250,134</u>                   | <u>1,669</u>                   | <u>251,803</u>                          |
| <b>Non-Operating Cash Disbursements:</b>   |                                  |                                |   |
| Principal  | 530,748                          |                                | 530,748                                 |
| Interest and Fiscal Charges  | 282,355                          |                                | 282,355                                 |
| Other Non-Operating Cash Disbursements   | 76,793                           | 33                             | 76,826                                  |
|  | <u>889,896</u>                   | <u>33</u>                      | <u>889,929</u>                          |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | (402,436)                        | 1,736                          | (400,700)                               |
| Transfers-In   | 71,900                           |                                | 71,900                                  |
| Transfers-Out  | (61,248)                         |                                | (61,248)                                |
| Net Receipts Over/(Under) Disbursements  | (391,784)                        | 1,736                          | (390,048)                               |
| Fund Cash Balances, January 1  | 1,361,608                        | 29,017                         | 1,390,625                               |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$969,824</u></b>          | <b><u>\$30,753</u></b>         | <b><u>\$1,000,577</u></b>               |
| Reserve for Encumbrances, December 31  | <u>\$8,670</u>                   |                                | <u>\$8,670</u>                          |

*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, 2001 AND 2000**

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The investments in STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer.

**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 fund:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**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.

**4. Capital Projects 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 or trust funds). The Village had the following significant capital projects funds:

*Capital Improvement Fund* - This fund receives revenues allocated from the Village Income Tax Fund. Revenues received are used for the purchase of capital improvements throughout the Village.

*Fire Fighting Fund* - This fund receives revenues from fire protection contracts. Revenues are used for 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.

**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:

*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.

*Police Pension Fund* - This fund receives tax and intergovernmental revenues to pay for the Village's contributions to the Ohio Police and Fire Pension Funds.

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2001 and 2000 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. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investment 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>2001</u>        | <u>2000</u>        |
|--------------------------------|--------------------|--------------------|
| Demand deposits                | \$27,368           | \$182,272          |
| Certificates of deposit        | 534,840            | 500,904            |
| Total deposits                 | <u>562,208</u>     | <u>683,176</u>     |
| STAR Ohio                      | 1,299,616          | 1,208,631          |
| Total deposits and investments | <u>\$1,861,824</u> | <u>\$1,891,807</u> |

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**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 are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

| 2001 Budgeted vs. Actual Receipts |                      |                    |                    |
|-----------------------------------|----------------------|--------------------|--------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance           |
| General                           | \$636,920            | \$630,012          | (\$6,908)          |
| Special Revenue                   | 149,642              | 116,097            | (33,545)           |
| Debt Service                      | 34,423               | 28,500             | (5,923)            |
| Capital Projects                  | 80,608               | 74,459             | (6,149)            |
| Enterprise                        | 2,121,044            | 1,782,291          | (338,753)          |
| Fiduciary                         | 453,106              | 408,931            | (44,175)           |
| <b>Total</b>                      | <b>\$3,475,743</b>   | <b>\$3,040,290</b> | <b>(\$435,453)</b> |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |                    |
|---|----------------------------|---------------------------|--------------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance           |
| General   | \$696,546                  | \$646,945                 | \$49,601           |
| Special Revenue                                       | 284,260                    | 101,446                   | 182,814            |
| Debt Service  | 37,745                     | 31,873                    | 5,872              |
| Capital Projects                                      | 162,320                    | 116,270                   | 46,050             |
| Enterprise  | 2,801,326                  | 1,769,663                 | 1,031,663          |
| Fiduciary   | 1,020,081                  | 405,330                   | 614,751            |
| <b>Total</b>  | <b>\$5,002,278</b>         | <b>\$3,071,527</b>        | <b>\$1,930,751</b> |

| 2000 Budgeted vs. Actual Receipts |                      |                    |                    |
|-----------------------------------|----------------------|--------------------|--------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance           |
| General                           | \$592,696            | \$631,381          | \$38,685           |
| Special Revenue                   | 140,212              | 149,193            | 8,981              |
| Debt Service                      | 33,423               | 33,413             | (10)               |
| Capital Projects                  | 71,886               | 77,701             | 5,815              |
| Enterprise                        | 2,047,675            | 1,755,881          | (291,794)          |
| Fiduciary                         | 382,490              | 433,230            | 50,740             |
| <b>Total</b>                      | <b>\$3,268,382</b>   | <b>\$3,080,799</b> | <b>(\$187,583)</b> |

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |                    |
|---|----------------------------|---------------------------|--------------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance           |
| General   | \$765,934                  | \$698,440                 | \$67,494           |
| Special Revenue                                       | 317,619                    | 171,720                   | 145,899            |
| Debt Service  | 33,423                     | 33,829                    | (406)              |
| Capital Projects                                      | 175,635                    | 94,358                    | 81,277             |
| Enterprise  | 2,902,057                  | 2,156,335                 | 745,722            |
| Fiduciary   | 917,369                    | 418,088                   | 499,281            |
| Total   | <u>\$5,112,037</u>         | <u>\$3,572,770</u>        | <u>\$1,539,267</u> |

**4. 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

**5. 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.

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

|   | Principal          | Interest Rate |
|---|--------------------|---------------|
| Reservoir Loan                            | \$430,000          | 5.00%         |
| Ohio Water Development Authority Loan (1) | 297,536            | 8.47%         |
| Ohio Water Development Authority Loan (2) | 811,263            | 7.45%         |
| Municipal Building Bonds                  | 80,000             | 6.80%         |
| Water System Improvement Bonds            | 2,421,149          | 4.35% - 6.30% |
| Fire Station Loan                         | 23,347             | 5.50%         |
| Rural Water Line Equipment Loan           | 113,199            | 5.50%         |
| Rural Water System Improvement Bond       | 375,200            | 3.25%         |
| Total                                     | <u>\$4,551,694</u> |               |

The Reservoir Loan relates to the construction of the reservoir in 1973. The Ohio Water Development Authority Loans (OWDA) relate to sewer plant expansions that were mandated by the Ohio Environmental Protection Agency. The Municipal Building Bonds were issued for the purchase of the Village municipal building. The Fire Station Loan was used to purchase the fire station. The Water System Improvement Bonds were issued for the water plant expansion project. The Rural Water Line Equipment Loan and Rural Water System Improvement Bonds were issued to extend water service to Village residents.

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

|                          | Reservoir<br>Loan | OWDA Loan<br>(1) | OWDA Loan<br>(2)   | Water System<br>Mortgage<br>Revenue<br>Bonds |
|--------------------------|-------------------|------------------|--------------------|--|
| Year Ending December 31: |                   |                  |                    |  |
| 2002                     | \$48,500          | \$61,465         | \$90,012           | \$209,560                                    |
| 2003                     | 48,150            | 61,465           | 90,012             | 216,755                                      |
| 2004                     | 47,750            | 61,465           | 90,012             | 213,375                                      |
| 2005                     | 49,300            | 61,465           | 90,012             | 214,930                                      |
| 2006                     | 48,700            | 61,465           | 90,012             | 216,150                                      |
| 2007 – 2011              | 243,150           | 92,197           | 450,060            | 1,086,575                                    |
| 2012 – 2016              | 96,750            |                  | 450,060            | 1,127,105                                    |
| 2017 – 2021              |                   |                  | 45,006             | 1,081,525                                    |
| 2022                     |                   |                  |                    | 217,915                                      |
| Total                    | <u>\$582,300</u>  | <u>\$399,522</u> | <u>\$1,395,186</u> | <u>\$4,583,890</u>                           |

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

| Year Ending December 31: | Municipal<br>Building<br>Bond | Fire<br>Station<br>Loan | Rural Water<br>Line<br>Equipment | Rural Water<br>System<br>Improvement<br>Bonds |
|--------------------------|-------------------------------|-------------------------|----------------------------------|---|
| 2002                     | \$30,285                      | \$16,298                | \$61,338                         | \$17,294                                      |
| 2003                     | 28,660                        | 8,149                   | 61,338                           | 17,429  |
| 2004                     | 32,010                        |                         |                                  | 17,253  |
| 2005                     |                               |                         |                                  | 17,377  |
| 2006                     |                               |                         |                                  | 17,292  |
| 2007 – 2011              |                               |                         |                                  | 86,686  |
| 2012 – 2016              |                               |                         |                                  | 86,703  |
| 2017 – 2021              |                               |                         |                                  | 86,654  |
| 2022 – 2026              |                               |                         |                                  | 86,668  |
| 2027 – 2031              |                               |                         |                                  | 86,746  |
| 2032 – 2036              |                               |                         |                                  | 86,661  |
| 2037 – 2039              |                               |                         |                                  | 52,008  |
| Total                    | \$90,955                      | \$24,447                | \$122,676                        | \$658,771                                     |

**7. 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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance, dental and vision coverage to full time employees through a private carrier.

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**9. 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, 2001 the custodian held \$284,961 in the Villages assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.



STATE OF OHIO  
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JIM PETRO, AUDITOR OF STATE

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

Village of New London  
Huron County  
115 East Main Street  
New London, Ohio 44851-1292

To the Village Council:

We have audited the accompanying financial statements of the Village of New London (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Villages'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 audit 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 2001-30539-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 29, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. These reportable conditions are described in the accompanying schedule of findings as items 2001-30539-002, 2001-30539-003, and 2001-30539-004. 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 May 29, 2002.

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 none of the reportable conditions described above is a material weakness.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

May 29, 2002

**VILLAGE OF NEW LONDON  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2001-30539-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the total amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriated fund free from any previous encumbrance. This section provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrance, the governing authority may authorize the issuance of a warrant in payment of the amount due upon such contracts or order by resolution within 30 days from the receipt of such certificates, if such expenditure is otherwise valid.
- B. If the amount is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the governing authority upon the completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

We found in 35% of disbursements examined that the Clerk/Treasurer's certification was not completed prior to the expenditure being incurred. Only 3 percent of these transactions were over \$1,000, however, no "then and now" certificates were furnished as required.

This situation could allow expenditures to exceed available resources. We recommend that the Village use purchase orders for all expenditures and "then and now" certificates should be used if prior certification is not accomplished. This comment was made in the management letter for the audit of the 1999 and 1998 financials statements.

**FINDING NUMBER 2001-30539-002**

**Reportable Condition**

The Village's books did not balance with the bank during 2000 or 2001. We found several recording errors. For example, we noted debt payments that were recorded twice, transfers-out with no corresponding transfer-in, grant reimbursements in the bank but not on the books, tax settlements from the County Auditor posted at incorrect amounts, interest not recorded, and inaccurate outstanding check lists. Along with these issues we noted inconsistencies between reports generated by the Village's software system. These included differences in year to date expenditures between the detailed trial balance and the statement of cash position. These issues could lead to material misstatements in the Village's financial statements, as well as higher audit costs and could result in a qualified audit opinion. For additional audit fees, we were able to reconcile the Village's records for 2000 and 2001. The Village has adjusted its books in accordance with our findings. We recommend the Clerk ensure the Village's books reconcile monthly, including the posting of all revenues, expenditures, reconciling items and verifying the accuracy of outstanding checks. Council should review these reconciliations for errors. This comment was made in the management letter for the audit of the 1999 and 1998 financials statements.

**FINDING NUMBER 2001-30539-003**

**Reportable Condition**

We found several errors in interest revenue posted to the Village's books. These errors included interest from checking and STAR Ohio accounts that was not posted, as well as interest that was posted twice or at incorrect amounts. These errors contributed to the Village Clerk's difficulty with monthly reconciliations between the financial institutions and the books. This situation could lead to misstated financial statements. We recommend the Village Clerk initiate a procedure to ensure all interest is recorded correctly. This can include review of form 1099's, re-computations, or confirmations with the bank.

**FINDING NUMBER 2001-30539-004**

**Reportable Condition**

We noted that transfers-in did not agree to transfers-out. Several transfers were posted to incorrect line items, such as miscellaneous revenue or expense. We also noted transfers made from one fund where there was no corresponding transfer-in posted to another fund. These errors contributed to the Village Clerk's difficulty with monthly reconciliations between the financial institutions and the books. We recommend steps be taken to properly post transfers-in and out. This can be accomplished by reconciling a list of all transfers approved by Council with the annual report amounts.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
JUNE 25, 2002**