



Dave Yost • Auditor of State

VILLAGE OF NEW LONDON
HURON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of New London, Huron County, Ohio (the Village) as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *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, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of New London, Huron County, Ohio as of December 31, 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2014, the Village changed the fund classification of a special revenue fund previously classified as an enterprise fund. We did not modify our opinion regarding this matter.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole. The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 30, 2015

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**VILLAGE OF NEW LONDON
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$65,388	\$18,858		\$84,246
Municipal Income Tax		618,835		618,835
Intergovernmental	84,685	110,513		195,198
Charges for Services	20,782	346,847	\$49,205	416,834
Fines, Licenses and Permits	4,981	110		5,091
Earnings on Investments	3,318	589		3,907
Miscellaneous	45,383	5,202	18,636	69,221
<i>Total Cash Receipts</i>	<u>224,537</u>	<u>1,100,954</u>	<u>67,841</u>	<u>1,393,332</u>
Cash Disbursements				
Current:				
Security of Persons and Property	394,333	39,482		433,815
Public Health Services		20,550		20,550
Leisure Time Activities		358,634		358,634
Community Environment	9,757			9,757
Transportation		147,328		147,328
General Government	447,018	57,077		504,095
Capital Outlay		3,653	47,995	51,648
Debt Service:				
Principal Retirement			26,551	26,551
Interest and Fiscal Charges			2,374	2,374
<i>Total Cash Disbursements</i>	<u>851,108</u>	<u>626,724</u>	<u>76,920</u>	<u>1,554,752</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(626,571)</u>	<u>474,230</u>	<u>(9,079)</u>	<u>(161,420)</u>
Other Financing Receipts (Disbursements)				
Transfers In	600,772	113,975	14,593	729,340
Transfers Out	(80,425)	(597,322)	(1,000)	(678,747)
Other Financing Sources	30,100	20,907	3,355	54,362
<i>Total Other Financing Receipts (Disbursements)</i>	<u>550,447</u>	<u>(462,440)</u>	<u>16,948</u>	<u>104,955</u>
<i>Net Change in Fund Cash Balances</i>	<u>(76,124)</u>	<u>11,790</u>	<u>7,869</u>	<u>(56,465)</u>
<i>Fund Cash Balances, January 1, Restated</i>	<u>408,709</u>	<u>397,461</u>	<u>86,469</u>	<u>892,639</u>
Fund Cash Balances, December 31				
Restricted		268,007		268,007
Committed		141,244	94,338	235,582
Assigned	251,485			251,485
Unassigned	81,100			81,100
<i>Fund Cash Balances, December 31</i>	<u>\$332,585</u>	<u>\$409,251</u>	<u>\$94,338</u>	<u>\$836,174</u>

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

**VILLAGE OF NEW LONDON
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,876,290
Operating Cash Disbursements	
Personal Services	497,654
Employee Fringe Benefits	239,601
Contractual Services	241,228
Supplies and Materials	273,592
Other	24,890
<i>Total Operating Cash Disbursements</i>	1,276,965
<i>Operating Income</i>	599,325
Non-Operating Receipts (Disbursements)	
Intergovernmental	1,767,921
Earnings on Investments	240
Other Loan Proceeds	2,239,095
Capital Outlay	(4,174,980)
Principal Retirement	(619,048)
Interest and Other Fiscal Charges	(175,474)
Other Financing Sources	417,634
<i>Total Non-Operating Receipts (Disbursements)</i>	(544,612)
<i>Income before Transfers</i>	54,713
Transfers In	453,768
Transfers Out	(504,361)
<i>Net Change in Fund Cash Balances</i>	4,120
<i>Fund Cash Balances, January 1, Restated</i>	1,319,934
<i>Fund Cash Balances, December 31</i>	\$1,324,054

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

**VILLAGE OF NEW LONDON
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New London, Huron County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and sanitation utilities, park operations, 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.

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF NEW LONDON
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 Reservoir.

4. Enterprise Funds

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

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

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 budgetary activity appears in Note 3.

VILLAGE OF NEW LONDON
HURON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance

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

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

**VILLAGE OF NEW LONDON
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. FUND RECLASSIFICATION

Beginning in 2014, the Parks and Recreation Fund previously classified as an enterprise fund was reclassified to special revenue as the Village deemed this classification more appropriate based on the purpose of the fund. This change in classification had the following effect on fund balances previously reported for the year ended December 31, 2013:

	Special Revenue	Enterprise
Fund balance December 31, 2013	\$ 385,017	\$ 1,332,378
Fund reclassification	12,444	(12,444)
Restated fund balance December 31, 2013	<u>\$ 397,461</u>	<u>\$ 1,319,934</u>

3. EQUITY IN POOLED DEPOSITS

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

	2014
Demand deposits	<u>\$2,160,228</u>

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

**VILLAGE OF NEW LONDON
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$914,315	\$855,409	(\$58,906)
Special Revenue	1,393,462	1,235,824	(157,638)
Capital Projects	66,793	85,789	18,996
Enterprise	9,147,799	6,754,948	(2,392,851)
Total	\$11,522,369	\$8,931,970	(\$2,590,399)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$981,879	\$931,533	\$50,346
Special Revenue	1,325,829	1,224,058	101,771
Capital Projects	347,409	77,920	269,489
Enterprise	8,616,821	6,750,828	1,865,993
Total	\$11,271,938	\$8,984,339	\$2,287,599

5. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of one and a 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
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

7. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Plant Design and Expansion Loan	\$234,266	7.45%
Mortgage Revenue Bonds - Series 2013	1,298,125	Variable
Water System Improvement Bond - Series 1999	108,568	3.25%
Fire Truck Bonds - 2005	19,200	4.13%
Fire Truck Bonds - 2012	62,000	3.50%
Total	<u>\$1,722,159</u>	

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

The Mortgage Revenue Bonds – Series 2013 were issued to refinance the bonds issued in 1997 for a water plant expansion project. The bonds are collateralized by water receipts. The bonds contain a variable rate, with the lender billing the Village periodically. The Village made principal and interest payments of \$206,250 and \$68,111, respectively during 2014.

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

The Village entered into two fire truck bonds to finance the purchase of fire trucks in 2005 and 2012.

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. As of December 31, 2014, the project has not been completed and no amortization schedule is available at this time. The maximum amount authorized for the loan is \$3,724,000. As of December 31, 2014 loan proceeds totaling \$2,239,095 have been received. At December 31, 2014 the Village has made no principal payments and \$44,934 in interest payments.

**VILLAGE OF NEW LONDON
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

7. DEBT (Continued)

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

Year ending December 31:	Sewer Plant Design & Expansion	Water System Improvement Series 1999	Fire Truck Bond 2012	Fire Truck Bond 2005
2015	\$90,012	\$6,412	\$9,070	\$19,992
2016	90,012	6,411	8,929	
2017	90,012	6,412	9,083	
2018		6,412	9,025	
2019		6,412	8,958	
2020-2024		32,058	27,089	
2025-2029		32,058		
2030-2034		32,058		
2035-2039		31,857		
Total	<u>\$270,036</u>	<u>\$160,090</u>	<u>\$72,154</u>	<u>\$19,992</u>

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2014, OP&F participants contributed 10.75% of their wages through June 30, 2014, and 11.50% of their wages beginning July 1, 2014. For 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014, 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, 2014.

9. RISK MANAGEMENT

Risk Pool Membership

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

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

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

**VILLAGE OF NEW LONDON
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

9. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$16,000.

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

<u>Contributions to PEP</u>
<u>2014</u>
\$24,362

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

**VILLAGE OF NEW LONDON
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

10. 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.

11. MISCELLANEOUS REVENUES

Miscellaneous revenues in the Capital Projects fund type consist primarily of donations.

12. INTERFUND ACTIVITY

During 2014 the following transfers were made:

Fund Type / Fund	Transfer In	Transfer Out
General	\$ 600,772	\$ 80,425
Special Revenue:		
Street	21,000	1,300
Parks and Recreation	50,000	1,625
Income Tax		569,397
Police Pension	25,000	
Rainy Day	5,000	
Fringe	12,975	
Revolving Loan		25,000
Capital Project:		
Fire Fighting Facilities	14,593	
Recreation Improvement		1,000
Enterprise:		
Water Operating		299,289
Sewer Operating		57,582
Sanitation Fund		2,000
Storm Sewer		30,000
USDA Sewer Capital Improvement	19,221	
USDA SSO Project Construction	24,254	
USDA Sewer Debt	99,261	
OWDA Sewer Debt	9,100	100,897
US Bank Debt	220,625	
US Bank Interest	76,664	
Rural Water Debt		14,593
USDA/RD Short Lived	4,643	
Total	\$ 1,183,108	\$ 1,183,108

VILLAGE OF NEW LONDON
HURON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

12. INTERFUND ACTIVITY (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF NEW LONDON
HURON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE Direct Assistance			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	<u>\$ 3,997,017</u>
Total Federal Awards Expenditures			<u>\$ 3,997,017</u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF NEW LONDON
HURON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village of New London, Huron County, Ohio's (the Village's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of New London, Huron County, Ohio (the Village) as of and for the year ended December 31, 2014 and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2014-001 described in the accompanying schedule of findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 30, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of New London, Huron County, Ohio's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Village of New London, Huron County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 30, 2015

**VILLAGE OF NEW LONDON
HURON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Regulatory – Unmodified GAAP - Adverse
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Material Weakness – Financial Reporting

We identified errors such as the following requiring adjustment to the financial statements for the year ended December 31, 2014:

- Capital Project Fund receipts, disbursements, and beginning fund balance in the amounts of \$34,327, \$25,542, and \$128,714, respectively, were adjusted to properly report the activity of the Revolving Loan Fund within the Special Revenue fund type in accordance with the fund type classifications defined in GASB 54;
- Capital Project Fund receipts, disbursements, and beginning fund balance in the amounts of \$62,100, \$25,000, and \$214,385, respectively, were adjusted to properly report the activity of the CSX Fund within the General Fund in accordance with the fund type classifications defined in GASB 54;
- The Capital Projects committed fund balance in the amount of \$94,338 was reclassified from restricted to committed in accordance with GASB 54;
- The Special Revenue committed fund balance in the amount of \$92,622 was reclassified from restricted to committed in accordance with GASB 54;

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

To ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, to identify and correct errors and omissions.

Officials' Response:

In November 2013, the Village switched over to the UAN Accounting System. As part of the transition, the CSX and Revolving Loan fund classifications were entered into the incorrect fund classifications for external reporting. The Fiscal Officer will review fund classifications and fund balance classifications at year-end to ensure external reporting documents are accurate.

3. FINDINGS FOR FEDERAL AWARDS

None

**VILLAGE OF NEW LONDON
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material weakness for the failure to accurately record and classify various transactions and improve monitoring of financial activity.	No	Not corrected. Repeated as Finding Number 2014-001 in this report.

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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
OCTOBER 20, 2015