



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF NEW LONDON
HURON COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2017 and 2016
Fiscal Year Audited Under GAGAS: 2017 and 2016

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of New London, Huron County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

August 31, 2018

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HURON COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of New London, Huron County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 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 *Additional Opinion Qualification* and *Unmodified Opinions* paragraphs 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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualifications

Parks and recreation charges for services receipts are reported at \$377,997 and \$355,174 for the years ended December 31, 2017 and 2016, which are 50 percent and 33 percent of total Special Revenue fund type receipts fund type receipts, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as parks and recreation charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Special Revenue Funds of the Village of New London, Huron County, Ohio as of December 31, 2017 and 2016, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General Fund and Enterprise Funds as of December 31, 2017 and 2016, and their 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, 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 "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
June 22, 2018

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, 2017**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Taxes	\$ 65,482	\$ 20,025	\$ -	\$ 85,507
Municipal Income Tax	375,959	185,173	-	561,132
Intergovernmental	135,128	108,455	7,450	251,033
Charges for Services	-	376,083	41,789	417,872
Fines, Licenses, and Permits	29,642	6,410	-	36,052
Earnings on Investments	3,359	437	-	3,796
Miscellaneous	20,897	12,947	17,094	50,938
Total Cash Receipts	<u>630,467</u>	<u>709,530</u>	<u>66,333</u>	<u>1,406,330</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	2,806	471,091	-	473,897
Public Health Services	-	25,242	-	25,242
Leisure Time Activities	-	370,601	-	370,601
Community Environment	2,962	-	-	2,962
Transportation	-	142,379	-	142,379
General Government	392,006	7,866	-	399,872
Capital Outlay	72,020	5,163	173,571	250,754
Debt Service:				
Principal Retirement	-	5,195	15,478	20,673
Interest and Fiscal Charges	-	3,395	2,560	5,955
Total Cash Disbursements	<u>469,794</u>	<u>1,030,932</u>	<u>191,609</u>	<u>1,692,335</u>
Excess of Receipts Over/(Under) Disbursements	160,673	(321,402)	(125,276)	(286,005)
Other Financing Receipts (Disbursements):				
Transfers-In	7,692	269,152	-	276,844
Transfers-Out	(270,000)	(6,844)	-	(276,844)
Other Sources	3,135	12,715	778	16,628
Total Other Financing Receipts(Disbursements)	<u>(259,173)</u>	<u>275,023</u>	<u>778</u>	<u>16,628</u>
Extraordinary Item	30,907	56,862	46,966	134,735
Net Change in Fund Cash Balances	(67,593)	10,483	(77,532)	(134,642)
Fund Cash Balances, January 1	<u>406,261</u>	<u>432,874</u>	<u>142,510</u>	<u>981,645</u>
Fund Cash Balances, December 31				
Restricted	-	310,883	-	310,883
Committed	-	132,474	64,978	197,452
Unassigned (Deficit)	<u>338,668</u>	<u>-</u>	<u>-</u>	<u>338,668</u>
Fund Cash Balances, December 31	<u>\$ 338,668</u>	<u>\$ 443,357</u>	<u>\$ 64,978</u>	<u>\$ 847,003</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)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 1,934,935
Total Operating Cash Receipts	<u>1,934,935</u>
Operating Cash Disbursements:	
Current:	
Personal Services	605,552
Employee Fringe Benefits	286,552
Contractual Services	269,781
Supplies and Materials	257,818
Other	<u>28,127</u>
Total Operating Cash Disbursements	<u>1,447,830</u>
Operating Income (Loss)	487,105
Non-Operating Receipts (Disbursements):	
Earnings on Investments	93
Capital Outlay	(389,876)
Principal Retirement	(311,491)
Interest and Other Fiscal Charges	(107,984)
Other Financing Sources	<u>22,276</u>
Total Non-Operating Receipts (Disbursements)	(786,982)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	(299,877)
Extraordinary Item	71,065
Transfers In	348,798
Transfers Out	(348,798)
Net Change in Fund Cash Balances	(228,812)
Fund Cash Balances, January 1	<u>1,378,400</u>
Fund Cash Balances, December 31	<u>\$ 1,149,588</u>

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of New London (the village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, cemetery maintenance, water, sewer, and sanitation utilities, park operations, and police and fire services. The Village appropriates General Fund money to support a volunteer fire department.

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

The Village of New London (the village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, cemetery maintenance, water, sewer, and sanitation utilities, park operations, and police and fire services. The Village appropriates General Fund money to support a volunteer fire department.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Fire Fighting Facilities Fund This fund receives revenues from fire protection contracts. The proceeds are being used to purchase fire equipment and facility maintenance.

Recreation Improvement Fund This fund receives money from rentals and donations. The proceeds are used to improve recreation facilities at the recreation park and reservoir.

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

Water Operating Fund This fund receives charges for services from residents to cover water service costs.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

<u>2017 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$689,394	\$672,201	(\$17,193)
Special Revenue	1,189,994	1,048,259	(141,735)
Capital Projects	117,600	114,077	(3,523)
Enterprise	2,452,955	2,377,167	(75,788)
Total	<u>\$4,449,943</u>	<u>\$4,211,704</u>	<u>(\$238,239)</u>

<u>2017 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$804,400	\$739,794	\$64,606
Special Revenue	1,415,023	1,037,776	377,247
Capital Projects	448,913	191,609	257,304
Enterprise	3,605,430	2,605,979	999,451
Total	<u>\$6,273,766</u>	<u>\$4,575,158</u>	<u>\$1,698,608</u>

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$1,003,821
Certificates of deposit	886,336
Other time deposits (savings and NOW accounts)	<u>106,434</u>
Total deposits	<u>1,996,591</u>

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one and one-half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management

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

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

The Government 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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2017, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$18,000.

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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (Continued)

2017 Contributions to PEP
\$28,331

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds - Series 2013	\$911,732	1-3%
Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	3,593,300	2.13%
Fire Truck Bond - 2012	39,919	3.50%
Government Obligation Contract Lease	31,922	4.90%
OWDA Reservoir Campground Pump Station	77,977	2.53%
OPWC Birch Park Drive Improvements	<u>98,596</u>	0%
Total	<u>\$4,753,446</u>	

The Ohio Water Development Authority (OWDA) Sewer Plant Design and Expansion Loan relates to a 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 OWDA debt service requirements. This loan was paid off in July of 2017.

The Mortgage Revenue Bonds – Series 2013 were issued to refinance the bonds issued in 1997 for a water plant expansion project. The bonds are collateralized by water receipts. The bonds contain an interest rate from 1% to 3% depending on the year, with the lender billing the Village monthly. No amortization schedule is available for this loan.

The Sanitary Sewer System Mortgage Revenue Bonds – Series 2013 were issued to upgrade the Village’s sanitary sewer system. Sewer receipts collateralize this loan. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Government Obligation Contract Lease was issued in 2017 for new turnout gear for the fire department. The Village borrowed \$40,000 for the gear and it will be paid over the next five years. The first payment of \$8,077.76 was made toward the principal in November.

The OPWC Loan CI19S for Birch Park Drive improvements was initialized in 2017 and will be paid over 22 years. This loan was used to extend the storm sewer on Birch Park Drive to reduce flooding and to resurface the street. The first payment was due July 1, 2017. This is an interest free loan.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	Turnout Gear Lease	Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	Fire Truck Bonds - 2012	OPWC Birch Park Drive Improvement s
2018	\$8,982	\$143,858	\$8,997	\$4,586
2019	8,982	143,823	8,931	4,586
2020	8,982	143,859	9,058	4,586
2021	8,982	143,763	8,971	4,586
2022	-	143,837	8,196	4,586
2023-2027	-	719,121	-	22,930
2028-2032	-	719,078	-	22,930
2033-2037	-	719,125	-	22,930
2038-2042	-	719,037	-	4,586
2043-2047	-	719,122	-	-
2048-2052	-	719,115	-	-
2053	-	143,792	-	-
Total	<u>\$35,928</u>	<u>\$5,177,530</u>	<u>\$44,153</u>	<u>\$96,306</u>

Note 10 - Interfund Transfers

Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During 2017 the following transfers were made:

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 - Interfund Transfers (Continued)

Fund	Transfer In	Transfer Out
General	\$ 7,692	(\$270,000)
Special Revenue:		
Street Construction Maintenance and Repair	20,000	-
Police and Fire	224,152	-
Police Disability and Pension	25,000	-
Police Law Enforcement Education	-	(4,152)
Gifts from the Terry Wilson Memorial	-	(2,692)
Enterprise:		
Water Operating	-	(185,935)
Sewer Operating	-	(162,863)
USDA Sewer Debt	143,832	-
US Bank Debt	159,456	-
US Bank Interest	26,479	-
USDA Sewer Reserve	14,388	-
USDA/RD Short Lived Asset	4,643	-
Total	<u>\$625,642</u>	<u>(\$625,642)</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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, 2016**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Taxes	\$ 63,174	\$ 19,653	\$ -	\$ 82,827
Municipal Income Tax	399,279	195,494	-	594,773
Intergovernmental	95,342	112,360	900	208,602
Charges for Services	25,840	401,672	49,113	476,625
Fines, Licenses, and Permits	7,735	753	-	8,488
Earnings on Investments	3,236	326	-	3,562
Miscellaneous	30,502	14,318	500	45,320
Total Cash Receipts	<u>625,108</u>	<u>744,576</u>	<u>50,513</u>	<u>1,420,197</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	182,360	233,597	-	415,957
Public Health Services	-	19,164	-	19,164
Leisure Time Activities	-	413,857	-	413,857
Community Environment	2,689	-	-	2,689
Transportation	-	114,699	-	114,699
General Government	310,885	7,138	-	318,023
Capital Outlay	-	17,220	40,262	57,482
Debt Service:				
Principal Retirement	-	-	7,000	7,000
Interest and Fiscal Charges	-	-	1,901	1,901
Total Cash Disbursements	<u>495,934</u>	<u>805,675</u>	<u>49,163</u>	<u>1,350,772</u>
Excess of Receipts Over/(Under) Disbursements	129,174	(61,099)	1,350	69,425
Other Financing Receipts (Disbursements):				
Transfers-In	18,472	45,172	-	63,644
Transfers-Out	(50,172)	(13,472)	-	(63,644)
Other Sources	3,544	55,656	13,866	73,066
Total Other Financing Receipts(Disbursements)	<u>(28,156)</u>	<u>87,356</u>	<u>13,866</u>	<u>73,066</u>
Special Item	-	2,973	-	2,973
Extraordinary Item	-	-	50,876	50,876
Net Change in Fund Cash Balances	101,018	29,230	66,092	196,340
Fund Cash Balances, January 1	<u>305,243</u>	<u>403,644</u>	<u>76,418</u>	<u>785,305</u>
Fund Cash Balances, December 31				
Restricted	-	318,699	-	318,699
Committed	-	114,175	142,510	256,685
Unassigned (Deficit)	406,261	-	-	406,261
Fund Cash Balances, December 31	<u>\$ 406,261</u>	<u>\$ 432,874</u>	<u>\$ 142,510</u>	<u>\$ 981,645</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)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 1,970,760
Total Operating Cash Receipts	<u>1,970,760</u>
Operating Cash Disbursements:	
Current:	
Personal Services	551,676
Employee Fringe Benefits	278,127
Contractual Services	244,999
Supplies and Materials	263,793
Other	<u>29,487</u>
Total Operating Cash Disbursements	<u>1,368,082</u>
Operating Income (Loss)	602,678
Non-Operating Receipts (Disbursements):	
Intergovernmental	713,107
Earnings on Investments	377
Capital Outlay	(956,520)
Principal Retirement	(401,673)
Interest and Other Fiscal Charges	(119,106)
Other Financing Sources	<u>38,119</u>
Total Non-Operating Receipts (Disbursements)	(725,696)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	(123,018)
Extraordinary Item	18,498
Transfers In	349,990
Transfers Out	(349,990)
Net Change in Fund Cash Balances	(104,520)
Fund Cash Balances, January 1	<u>1,482,920</u>
Fund Cash Balances, December 31	<u>\$ 1,378,400</u>

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of New London (the village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, cemetery maintenance, water, sewer, and sanitation utilities, park operations, and police and fire services. The Village appropriates General Fund money to support a volunteer fire department.

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

The Village of New London (the village), Huron County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, cemetery maintenance, water, sewer, and sanitation utilities, park operations, and police and fire services. The Village appropriates General Fund money to support a volunteer fire department.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Fire Fighting Facilities Fund This fund receives revenues from fire protection contracts. The proceeds are being used to purchase fire equipment and facility maintenance.

Recreation Improvement Fund This fund receives money from rentals and donations. The proceeds are used to improve recreation facilities at the recreation park and reservoir.

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

Water Operating Fund This fund receives charges for services from residents to cover water service costs.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

<u>2016 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$1,032,443	\$647,124	(\$385,319)
Special Revenue	1,488,839	848,377	(640,462)
Capital Projects	140,876	115,255	(25,621)
Enterprise	4,342,860	3,090,851	(1,252,009)
Total	<u>\$7,005,018</u>	<u>\$4,701,607</u>	<u>(\$2,303,411)</u>

<u>2016 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$937,800	\$546,106	\$391,694
Special Revenue	1,578,782	819,147	759,635
Capital Projects	370,000	49,163	320,837
Enterprise	5,088,787	3,195,371	1,893,416
Total	<u>\$7,975,369</u>	<u>\$4,609,787</u>	<u>\$3,365,582</u>

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$1,312,714
Certificates of deposit	941,427
Other time deposits (savings and NOW accounts)	<u>105,904</u>
Total deposits	<u>2,360,045</u>

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one and one-half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management

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

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

The Government 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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2016, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$17,000.

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.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management (Continued)

2016 Contributions to PEP
\$ 26,317

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Sewer Plant Design and Expansion Loan	\$83,742	7%
Mortgage Revenue Bonds - Series 2013	1,071,188	Variable
Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	3,659,300	2.13%
Fire Truck Bond	47,319	3.50%
OWDA Reservoir Campground Pump Station	32,782	2.53%
OPWC Birch Park Drive Improvements	100,889	0%
Total	<u>\$4,995,220</u>	

The Ohio Water Development Authority (OWDA) Sewer Plant Design and Expansion Loan relates to a 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 OWDA debt service requirements. This loan was paid off in July of 2017.

The Mortgage Revenue Bonds – Series 2013 were issued to refinance the bonds issued in 1997 for a water plant expansion project. The bonds are collateralized by water receipts. The bonds contain an interest rate from 1% to 3% depending on the year, with the lender billing the Village monthly. No amortization schedule is available for this loan.

The Sanitary Sewer System Mortgage Revenue Bonds – Series 2013 were issued to upgrade the Village’s sanitary sewer system. Sewer receipts collateralize this loan. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Village entered into a fire truck bond to finance the purchase of a fire truck in 2012.

The Village completed its Birch Park Drive Improvements Project in 2016. Loan CI19S will be initialized in 2017 with the first payment due July 1, 2017. The total loan amount is \$100,889. This is an interest free loan.

OWDA Loan #7302 for the construction of a pump station and force main to eliminate an existing on-site wastewater treatment package plant at the New London Reservoir Campground has not been completed and no amortization schedule is available at this time. of December 31, 2016 the Village has borrowed \$32,782.

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	OWDA Sewer Plant Design and Expansion Loan	US Bank Revenue Bonds - Series 2013	Sanitary Sewer System Mortgage Revenue Bonds - Series 2013	Fire Truck Bonds - 2012	OPWC Birch Park Drive Improvements
2017	\$87,123	\$186,763	\$143,760	\$9,056	\$2,293
2018	-	188,362	143,858	8,997	4,586
2019	-	189,856	143,823	8,931	4,586
2020	-	190,394	143,859	9,058	4,586
2021	-	185,800	143,763	8,971	4,586
2022-2026	-	190,550	719,158	8,196	22,929
2027-2031	-	-	719,013	-	22,929
2032-2036	-	-	719,166	-	22,929
2037-2041	-	-	719,089	-	11,465
2042-2046	-	-	719,111	-	-
2047-2051	-	-	719,077	-	-
2052-2053	-	-	287,614	-	-
Total	<u>\$87,123</u>	<u>\$1,131,725</u>	<u>\$5,321,291</u>	<u>\$53,209</u>	<u>\$100,889</u>

Note 10 - Interfund Transfers

Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During 2016 the following transfers were made:

Village of New London, Ohio
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 - Interfund Transfers (Continued)

Fund	Transfer In	Transfer Out
General	\$18,472	(\$50,172)
Special Revenue:		
Street Construction Maintenance and Repair	15,000	
Parks and Recreation	-	(2,000)
Income Tax	172	0
Police Disability and Pension	25,000	-
Rainy Day	5,000	-
Police Law Enforcement Education	-	(2,598)
Gifts from the Terry Wilson Memorial	-	(8,874)
Enterprise:		
Water Operating	-	(187,081)
Sewer Operating	-	(162,909)
USDA-SSO Project Construction	46	-
USDA Sewer Debt	143,832	-
US Bank Debt	156,472	-
US Bank Interest	30,609	-
USDA Sewer Reserve	14,388	-
USDA/RD Short Lived Asset	4,643	-
Total	<u>\$413,634</u>	<u>(\$413,634)</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



**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, 44851

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of New London, Huron County, (the Village) as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on Special Revenue fund type parks and recreation charges for services due to lack of appropriate audit evidence.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

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.

Handwritten signature in black ink that reads "BHM CPA Group".

BHM CPA Group, Inc.
Piketon, Ohio
June 22, 2018

VILLAGE OF NEW LONDON
HURON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-001

Noncompliance Citation / Material Weakness

Ohio Admin. Code § 117-2-01 (A) provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

Ohio Admin. Code § 117-2-01 (D) provides that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- (1) Ensure that all transactions are properly authorized in accordance with management's policies.
- (2) Ensure that accounting records are properly designed.
- (3) Ensure adequate security of assets and records.
- (4) Plan for adequate segregation of duties or compensating controls.
- (5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- (6) Perform analytical procedures to determine the reasonableness of financial data.
- (7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- (8) Monitor activities performed by service organizations

Internal controls over the Village's collection of parks and recreation charges for services receipts for the Parks and Recreation and Recreation Improvement funds were not in place and operating effectively.

The following matters were noted during procedures performed:

During testing of charges for services receipts in the parks and recreation fund, we noted the Village was unable to provide proper supporting documentation for 94% of receipts selected for testing during 2016 and 53% of receipts selected for testing during 2017.

Accordingly, we were unable to obtain assurances for completeness over parks and recreation charges for services receipts, which accounted for 50% and 33% of the Special Revenue Fund Type receipts for the year ended December 31, 2017 and 2016. Lack of controls and lack of documentation increases the risk that misappropriation of assets or errors could occur and not be detected in a timely manner. Therefore, having no reliable source documentation to substantiate daily receipts prohibits the assurance of completeness.

VILLAGE OF NEW LONDON
HURON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-001
(Continued)

We recommend the Village:

- Develop and implement a clear, concise policy for the recording of parks and recreation receipts;
- Require adequate supporting documentation be maintained for all parks and recreation receipts. Such documentation may include, but is not limited to, the use of duplicate receipts and duplicate receipts books, pre-numbered tickets, permits, and/or registration forms.
- Consider involving Village personnel currently separate of the parks and recreation receipt process into the parks and recreation receipt process. Such duties could include ticket / permit reconciliations, re-counting cash on hand, reconciling estimated to actual daily receipts, and making deposits; and
- Annually approve a parks and recreation fee schedule which details all possible charges and / or fees of the parks department, including the allocation of any fees to a fund other than the Parks and Recreation Fund.

Client Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-002

Material Weakness/Non-Compliance

Ohio Revised Code section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

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

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

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

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF NEW LONDON
HURON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDING NUMBER 2017-002

(Continued)

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

The Village's Fiscal Officer did not certify the availability of funds prior to making commitments during 2016 for 38% of disbursements tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Village's Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code section 5705.41(D) requires to authorize disbursements.

Client Response:

We did not receive a response from Officials to this finding.

VILLAGE OF NEW LONDON
HURON COUNTY
DECEMBER 31, 2017 AND 2016

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	Material Weakness / Noncompliance Ohio Admin. Code 117-2-01(A) Ohio Admin. Code 117-2-01(D)	No	Reissued as Finding 2017-001
2015-002	Material Weakness – Financial Reporting	Yes	

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Dave Yost • Auditor of State

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
SEPTEMBER, 13 2018