

NEW LONDON COMMUNITY SCHOOL DISTRICT
NEW LONDON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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NEW LONDON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Laurie Hempen	President	2004
Rhonda Mixon	Vice President	2005
Virginia Ekstrand	Board Member	2004
Kelly Kadel	Board Member	2006
Bob McPheron	Board Member	2006
<u>Board of Education</u>		
(After September 2004 Election)		
Laurie Hempen	President	2007
Rhonda Mixon	Vice President	2005
Kelly Kadel	Board Member	2006
Bob McPheron	Board Member	2006
Virginia Ekstrand	Board Member	2007
<u>School Officials</u>		
Robert L. Cardoni	Superintendent	2008
Nancy Blow	District Secretary/Treasurer	2005
Richard J. Gaumer	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2005 on our consideration of New London Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New London Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 16, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the New London Community School District's annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2005. Please read it in conjunction with the district's financial statements, which immediately follow this section.

Financial Highlights

- District revenues totaled \$4,470,712, a 1.2% decrease from the prior year.
- District expenditures totaled \$4,798,115, a 4.7% increase from the prior year.
- Overall expenses exceeded revenues by \$327,403.
- In February voters approved the School Infrastructure Local Option tax for Henry County.
- The District purchased a new school bus to maintain the quality of the bus fleet.
- A major plumbing renovation was begun in the High School/Middle School building.
- The District purchased 60 computers for student use.
- To accommodate the large number of first graders, the District added a third section.
- The District increased the special education staff to meet the individual education plans of special needs students.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-and long-term financial information about the activities the District operates like businesses such as food service.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The chart below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1: Major Features of the District Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements

The District-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.
- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Government-wide Financial Analysis

Figure A-2 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-2							
Condensed Statement of Net Assets (in thousands of dollars)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$2,506	\$2,906	\$12	\$10	\$2,518	\$2,916	-13.60%
Capital assets	\$1,087	\$1,045	\$18	\$8	\$1,105	\$1,053	4.90%
Total Assets	\$3,593	\$3,951	\$30	\$18	\$3,623	\$3,969	-8.70%
Long-term liabilities	\$17				\$17		-
Other liabilities	\$1,410	\$1,445	\$7	\$8	\$1,417	\$1,453	-2.50%
Total Liabilities	\$1,427	\$1,445	\$7	\$8	\$1,434	\$1,453	-1.30%
Net assets							
Invested in capital assets, net of related debt	\$1,087	\$1,045	\$18	\$8	\$1,105	\$1,053	4.90%
Restricted	\$447	\$335			\$447	\$335	33.40%
Unrestricted	\$632	\$1,126	\$5	\$2	\$637	\$1,128	-43.50%
Total net assets	\$2,166	\$2,506	\$23	\$10	\$2,189	\$2,516	-13.00%

Figure A-3 shows a summary of the change in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3							
Changes in Net Assets (in thousands of dollars)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
Revenues							
Program revenues							
Charges for services	\$360	\$406	\$78	\$71	\$438	\$477	-8.20%
Operating Grants & Contributions	\$512	\$477	\$83	\$81	\$595	\$558	6.60%
Capital Grants & Contributions			\$12		\$12		
General revenues							
Property taxes	\$1,160	\$1,120			\$1,160	\$1,120	3.60%
Income Surtax	\$156	\$143			\$18	\$143	9.10%
Local Option Sales & Service Tax	\$18	\$22			\$156	\$22	-18.20%
Unrestricted State Grants	\$2,050	\$2,106			\$2,050	\$2,106	-2.70%
Unrestricted Investment Earnings	\$25	\$14	\$1	\$1	\$26	\$15	73.30%
Other	\$15	\$87			\$15	\$87	-82.80%
Total Revenues	\$4,296	\$4,375	\$174	\$153	\$4,470	\$4,528	-1.20%
Expenses							
Instruction	\$3,125	\$2,982	-	-	\$3,125	\$2,982	4.80%
Support Services	\$1,303	\$1,198	-	-	\$1,303	\$1,198	8.80%
Non-instructional			\$161	\$160	\$161	\$160	0.10%
Other expenses	\$208	\$242	-	-	\$208	\$242	-14.00%
Total Expenses	\$4,636	\$4,422	\$161	\$160	\$4,797	\$4,582	4.70%
Change in Net Assets	-\$340	-\$47	\$13	-\$7	-\$327	-\$54	-505.60%

Financial Analysis of the District as a Whole

The District's total revenues decreased 1.2%. Local taxes contribute 30% of the District's revenue, 10% comes from charges for service, 14% from grants, contributions and interest and 46% from other general revenues including state foundation aid.

The District's expenses are predominantly related to providing instruction and care for students. 65% was expended for instruction, 10% for administration, 8% for operation and maintenance, 5% for student support services, 5% for transportation, 3% for the Area Education Agency, 3% for the hot lunch program and 1% miscellaneous. The cost of all programs and services rose 4.7%. Significant contributing factors were higher costs for salaries, health insurance increases, increased building maintenance and operation costs and the purchase of computers.

Governmental Activities

The governmental activities net assets decreased due to the timing of computer purchases which were not capitalized and increases in operating costs mentioned above. It was considered a more appropriate use of taxpayer dollars to pay for these necessary items with cash reserve dollars than to borrow funds.

Business-Type Activities

The District business type activities include the School Nutrition Fund. Revenues of the district' business-type activities increased 14% due to an increase in federal funding in the nutrition program and an increase in lunch prices. Expenses did not significantly change.

Financial Analysis of the District's Funds

- The District has been able to maintain a strong financial position because of the support of all staff in keeping expenses to a minimum whenever possible. Staff also look for alternative ways to finance new or special projects through grants or fund raising. Public support through tax levies has allowed the District to keep facilities safe and adequate. The District has been able to weather state cuts, declining enrollment and increases in expenses without cutting programs. Physical Plant and Equipment and Capital Projects Fund balances have been earmarked for an electrical upgrade, window replacements and tuck pointing. The District hopes to complete these projects without borrowing funds to finance them.
- The General Fund balance decreased \$478,072 due to increases in operating costs for salaries, insurance, utilities, and maintenance as well as the purchase of several new computers this year.
- The Physical Plant and Equipment Levy Fund increased \$74,247 because the district is building funds up for the projects mentioned above.

Capital Asset and Debt Administration

Capital Assets

By the end of 2005 the District had invested \$3,330,018 in a broad range of capital assets including land, buildings, transportation equipment and technology equipment. This amount represents a net increase of 2.2% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was approximately \$115,000.

Long-Term Debt

The District's only long term liability is for accumulated unused vacation in the amount of \$17,001. More detailed information can be found in Note 4 to the Financial Statements.

Budgetary Highlights

Over the course of the year, the district did not amend its budget, however, the budget was exceeded in two areas.

- The Support Services area was exceeded by \$35,684 due to some required account code changes in the technology area which shifted expenses from the instruction area to support services.
- The Non-instructional programs area was exceeded by \$1,897 due to some unexpected costs in the food service program.

Factors Bearing on the District' Future

- Henry County passed a one cent School Infrastructure Local Option tax in February. The New London Community School District will be able to meet fire code regulations and begin upgrading mechanical systems, predominately plumbing and electrical, in all buildings.
- The District's socio-economic status continues to change. The percentage of free and reduced lunch participants is 36%. In order to meet all the needs of our present student population additional support services and transportation will be needed.
- Industry in the school district area continues to decline. This has caused a decline in enrollment, which causes a decline in funding. State and federal mandates continue to increase. The District will have to continually fund existing programs and meet the needs for more rigorous academic instruction with fewer dollars.
- The future of the District is hard to predict. In order to be prepared to best serve our students, the New London Community School will look for means to continually improve academic instruction for students and professional development for staff using available funds, finding new funding streams and sharing services with other districts.

Contacting the District's Financial Management

This financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 106 Jack Wilson Drive, New London, IA 52645.

Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,251,058	\$ 10,456	\$ 1,261,514
Receivables:			
Property tax:			
Current year	24,135	-	24,135
Succeeding year	1,016,471	-	1,016,471
Income surtax	149,657	-	149,657
Accounts	917	-	917
Due from other governments	64,530	-	64,530
Inventories	-	1,558	1,558
Capital assets, net of accumulated depreciation (note 3)	1,086,702	18,226	1,104,928
	<u>3,593,470</u>	<u>30,240</u>	<u>3,623,710</u>
Total assets			
Liabilities			
Accounts payable	30,276	-	30,276
Salaries and benefits payable	363,643	7,609	371,252
Deferred revenue:			
Succeeding year property tax	1,016,471	-	1,016,471
Long-term liabilities (note 4):			
Portion due within one year:			
Compensated absences	17,001	-	17,001
	<u>1,427,391</u>	<u>7,609</u>	<u>1,435,000</u>
Total liabilities			
Net Assets			
Invested in capital assets	\$ 1,086,702	\$ 18,226	1,104,928
Restricted for:			
Management levy	22,621	-	22,621
Public education and recreation levy	43,690	-	43,690
Physical plant and equipment levy	220,529	-	220,529
Other special revenue purposes	65,912	-	65,912
Capital projects	94,225	-	94,225
Unrestricted	632,400	4,405	636,805
	<u>2,166,079</u>	<u>22,631</u>	<u>2,188,710</u>
Total net assets			

See notes to financial statements.

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NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,235,624	\$ 135,631	\$ 193,215	\$ -
Special instruction	426,576	88,660	96,701	-
Other instruction	462,616	119,580	67,820	-
	<u>3,124,816</u>	<u>343,871</u>	<u>357,736</u>	<u>-</u>
Support services:				
Student services	85,562	-	-	-
Instructional staff services	145,092	-	-	-
Administration services	483,023	-	-	-
Operation and maintenance of plant services	373,381	180	-	-
Transportation services	216,698	16,020	162	-
	<u>1,303,756</u>	<u>16,200</u>	<u>162</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	3,662	-	-	-
AEA flowthrough	154,091	-	154,091	-
Depreciation (unallocated) *	50,546	-	-	-
	<u>208,299</u>	<u>-</u>	<u>154,091</u>	<u>-</u>
Total governmental activities	4,636,871	360,071	511,989	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	161,244	77,820	83,639	12,490
Total	<u>\$ 4,798,115</u>	<u>\$ 437,891</u>	<u>\$ 595,628</u>	<u>\$ 12,490</u>

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,906,778)	\$ -	\$ (1,906,778)
(241,215)	-	(241,215)
(275,216)	-	(275,216)
<u>(2,423,209)</u>	<u>-</u>	<u>(2,423,209)</u>
(85,562)	-	(85,562)
(145,092)	-	(145,092)
(483,023)	-	(483,023)
(373,201)	-	(373,201)
(200,516)	-	(200,516)
<u>(1,287,394)</u>	<u>-</u>	<u>(1,287,394)</u>
(3,662)	-	(3,662)
-	-	-
(50,546)	-	(50,546)
<u>(54,208)</u>	<u>-</u>	<u>(54,208)</u>
(3,764,811)	-	(3,764,811)
-	12,705	12,705
<u>(3,764,811)</u>	<u>12,705</u>	<u>(3,752,106)</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Public education and recreation

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 1,107,889	\$ -	\$ 1,107,889
9,942	-	9,942
42,494	-	42,494
156,279	-	156,279
18,398	-	18,398
2,049,767	-	2,049,767
25,221	325	25,546
14,388	-	14,388
<hr/>		
3,424,378	325	3,424,703
<hr/>		
(340,433)	13,030	(327,403)
<hr/>		
2,506,512	9,601	2,516,113
<hr/>		
<u>\$ 2,166,079</u>	<u>\$ 22,631</u>	<u>\$ 2,188,710</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2005

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 783,084	\$ 186,397	\$ 221,946	\$ 1,191,427
Receivables:				
Property tax:				
Current year	21,799	875	1,461	24,135
Succeeding year	898,657	36,810	81,004	1,016,471
Income surtax	116,400	33,257	-	149,657
Accounts	-	-	917	917
Due from other governments	62,362	-	2,168	64,530
Total assets	\$ 1,882,302	\$ 257,339	\$ 307,496	\$ 2,447,137
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 30,232	\$ -	\$ 44	\$ 30,276
Salaries and benefits payable	363,643	-	-	363,643
Deferred revenue:				
Succeeding year property tax	898,657	36,810	81,004	1,016,471
Other	116,400	33,257	-	149,657
Total liabilities	1,408,932	70,067	81,048	1,560,047
Fund balance:				
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	132,223	132,223
Undesignated	473,370	187,272	94,225	754,867
Total fund balances	473,370	187,272	226,448	887,090
Total liabilities and fund balances	\$ 1,882,302	\$ 257,339	\$ 307,496	\$ 2,447,137

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2005

Total fund balances of governmental funds	\$ 887,090
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,086,702
Other long-term assets, including income surtax receivable, are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	149,657
The Internal Service Fund is used to charge the costs of the District's Section 125 benefits plan to the governmental funds. The net assets of the Internal Service Fund are therefore included in governmental activities.	59,631
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(17,001)</u>
Net assets of governmental activities	<u>\$ 2,166,079</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,163,550	\$ 75,501	\$ 88,420	\$ 1,327,471
Tuition	197,809	-	-	197,809
Other	76,632	2,352	122,887	201,871
State sources	2,369,127	56	93	2,369,276
Federal sources	194,018	-	-	194,018
Total revenues	<u>4,001,136</u>	<u>77,909</u>	<u>211,400</u>	<u>4,290,445</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,253,356	-	-	2,253,356
Special instruction	426,273	-	-	426,273
Other instruction	340,331	-	119,704	460,035
	<u>3,019,960</u>	<u>-</u>	<u>119,704</u>	<u>3,139,664</u>
Support services:				
Student services	85,562	-	-	85,562
Instructional staff services	173,748	-	-	173,748
Administration services	432,073	-	34,897	466,970
Operation and maintenance of plant services	374,066	-	20,678	394,744
Transportation services	239,708	-	93	239,801
	<u>1,305,157</u>	<u>-</u>	<u>55,668</u>	<u>1,360,825</u>
Other expenditures:				
Facilities acquisition	-	3,662	-	3,662
AEA flowthrough	154,091	-	-	154,091
	<u>154,091</u>	<u>3,662</u>	<u>-</u>	<u>157,753</u>
Total expenditures	<u>4,479,208</u>	<u>3,662</u>	<u>175,372</u>	<u>4,658,242</u>
Excess (deficiency) of revenues over (under) expenditures	(478,072)	74,247	36,028	(367,797)
Fund balances beginning of year	<u>951,442</u>	<u>113,025</u>	<u>190,420</u>	<u>1,254,887</u>
Fund balances end of year	<u>\$ 473,370</u>	<u>\$ 187,272</u>	<u>\$ 226,448</u>	<u>\$ 887,090</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (367,797)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

	Capital outlays	\$ 153,725	
	Depreciation expense	<u>(112,371)</u>	41,354

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 5,993

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (17,001)

The change in net assets of the Internal Service Fund represents an undercharge to the governmental funds served and, therefore, is included as an expense in the statement of activities. (2,982)

Change in net assets of governmental activities \$ (340,433)

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2005

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Assets		
Cash and cash equivalents	\$ 10,456	\$ 59,631
Inventories	1,558	-
Capital assets, net of accumulated depreciation	<u>18,226</u>	<u>-</u>
Total assets	<u>30,240</u>	<u>59,631</u>
Liabilities		
Salaries and benefits payable	<u>7,609</u>	<u>-</u>
Net Assets		
Invested in capital assets	18,226	-
Unrestricted	<u>4,405</u>	<u>59,631</u>
Total net assets	<u>\$ 22,631</u>	<u>\$ 59,631</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	<u>Enterprise - School Nutrition</u>	<u>Internal Service - Section 125 Benefits</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 77,820	\$ 394,682
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	51,169	-
Benefits	6,885	-
Supplies	100,328	-
Depreciation	2,261	-
Other	601	397,664
	<u>161,244</u>	<u>397,664</u>
Operating loss	<u>(83,424)</u>	<u>(2,982)</u>
Non-operating revenues:		
Interest on investments	325	-
Capital contributions	12,490	-
State sources	2,475	-
Federal sources	81,164	-
Total non-operating revenues	<u>96,454</u>	<u>-</u>
Change in net assets	13,030	(2,982)
Net assets beginning of year	<u>9,601</u>	<u>62,613</u>
Net assets end of year	<u>\$ 22,631</u>	<u>\$ 59,631</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 77,129	\$ -
Cash received from miscellaneous operating activities	691	394,682
Cash payments to employees for services	(58,741)	-
Cash payments to suppliers for goods or services	<u>(95,375)</u>	<u>(397,664)</u>
Net cash used in operating activities	<u>(76,296)</u>	<u>(2,982)</u>
Cash flows from non-capital financing activities:		
State grants received	2,475	-
Federal grants received	<u>75,020</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>77,495</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>354</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,553	(2,982)
Cash and cash equivalents beginning of year	<u>8,903</u>	<u>62,613</u>
Cash and cash equivalents end of year	<u>\$ 10,456</u>	<u>\$ 59,631</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (83,424)	\$ (2,982)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,261	-
Commodities used	6,144	-
(Increase) in inventories	(590)	-
(Decrease) in salaries and benefits payable	<u>(687)</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (76,296)</u>	<u>\$ (2,982)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$6,144 of federal commodities and \$12,490 of capital contributions.

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2005

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$ 48,714	
Accrued interest receivable		<u>226</u>
Total assets		<u>48,940</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$	<u><u>48,940</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2005

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	7,762
Interest		<u>897</u>
Total additions		<u>8,659</u>
Deductions:		
Instruction:		
Scholarships awarded		4,000
Support services:		
Supplies		<u>7,362</u>
Total deductions		<u>11,362</u>
Change in net assets		(2,703)
Net assets beginning of year		<u>51,643</u>
Net assets end of year	\$	<u><u>48,940</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

New London Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New London, Iowa, and the agricultural territory in Henry and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, New London Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. New London Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Henry County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Section 125 Benefits Fund is used to account for the Section 125 benefits program offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Income surtax receivable – Income surtax budgeted for the fiscal year ended June 30, 2005 will not be received by the District until the fiscal year ending June 30, 2006. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	1,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the support services and non-instructional programs functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>995,197</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,701	\$ -	\$ -	\$ 47,701
Construction in progress	-	29,455	-	29,455
Total capital assets not being depreciated	<u>47,701</u>	<u>29,455</u>	<u>-</u>	<u>77,156</u>
Capital assets being depreciated:				
Buildings	2,112,573	-	-	2,112,573
Improvements other than buildings	195,338	-	1,954	193,384
Furniture and equipment	797,786	124,270	72,501	849,555
Total capital assets being depreciated	<u>3,105,697</u>	<u>124,270</u>	<u>74,455</u>	<u>3,155,512</u>
Less accumulated depreciation for:				
Buildings	1,376,873	34,668	-	1,411,541
Improvements other than buildings	193,881	917	1,954	192,844
Furniture and equipment	537,296	76,786	72,501	541,581
Total accumulated depreciation	<u>2,108,050</u>	<u>112,371</u>	<u>74,455</u>	<u>2,145,966</u>
Total capital assets being depreciated, net	<u>997,647</u>	<u>11,899</u>	<u>-</u>	<u>1,009,546</u>
Governmental activities capital assets, net	<u>\$ 1,045,348</u>	<u>\$ 41,354</u>	<u>\$ -</u>	<u>\$ 1,086,702</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 3. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 105,437	\$ 12,490	\$ 20,577	\$ 97,350
Less accumulated depreciation	<u>97,440</u>	<u>2,261</u>	<u>20,577</u>	<u>79,124</u>
Business-type activities capital assets, net	<u>\$ 7,997</u>	<u>\$ 10,229</u>	<u>\$ -</u>	<u>\$ 18,226</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 16,418

 Other

2,581

 Support services:

 Administration

4,125

 Operation and maintenance of plant services

2,527

 Transportation

36,174

61,825

Unallocated depreciation

50,546

Total governmental activities depreciation expense

\$ 112,371

Business-type activities:

 Food service operations

\$ 2,261

NEW LONDON COMMUNITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2005

Note 4. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Compensated Absences
Balance beginning of year	\$ -
Additions	17,001
Reductions	-
Balance end of year	\$ 17,001
Due within one year	\$ 17,001

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$15,000. Early retirement benefits paid during the year ended June 30, 2005, totaled \$15,000. The District has no early retirement liability as of June 30, 2005.

Note 5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$143,400, \$137,645, and \$141,464 respectively, equal to the required contributions for each year.

Note 6. Risk Management

New London Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$154,091 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8. Construction Commitments

The District entered into a contract totaling \$59,591 for new water lines. At June 30, 2005 \$29,455 of the contract was completed. The remaining amount of the contract will be paid as work on the project progresses.

Required Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 1,714,492	\$ 78,174	\$ 1,792,666	\$ 1,779,560	\$ 13,106
State sources	2,375,731	2,475	2,378,206	2,462,054	(83,848)
Federal sources	183,422	81,164	264,586	215,000	49,586
Total receipts	4,273,645	161,813	4,435,458	4,456,614	(21,156)
DISBURSEMENTS:					
Instruction	3,150,799	-	3,150,799	3,889,914	739,115
Support services	1,357,466	-	1,357,466	1,321,782	(35,684)
Non-instructional programs	-	160,260	160,260	158,363	(1,897)
Other expenditures	157,753	-	157,753	451,711	293,958
Total disbursements	4,666,018	160,260	4,826,278	5,821,770	995,492
Excess (deficiency) of receipts over (under) disbursements	(392,373)	1,553	(390,820)	(1,365,156)	974,336
Balance beginning of year	1,583,800	8,903	1,592,703	1,468,482	124,221
Balance end of year	<u>\$ 1,191,427</u>	<u>\$ 10,456</u>	<u>\$ 1,201,883</u>	<u>\$ 103,326</u>	<u>\$ 1,098,557</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 4,273,645	\$ 16,800	\$ 4,290,445
Expenditures	4,666,018	(7,776)	4,658,242
Net	(392,373)	24,576	(367,797)
Beginning fund balances	1,583,800	(328,913)	1,254,887
Ending fund balances	<u>\$ 1,191,427</u>	<u>\$ (304,337)</u>	<u>\$ 887,090</u>
	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 161,813	\$ 12,461	\$ 174,274
Expenses	160,260	984	161,244
Net	1,553	11,477	13,030
Beginning net assets	8,903	698	9,601
Ending net assets	<u>\$ 10,456</u>	<u>\$ 12,175</u>	<u>\$ 22,631</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements in the support services and non-instructional programs functions exceeded the amounts budgeted.

Other Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Public Education and Recreation Levy	Capital Projects	
Assets					
Cash and pooled investments	\$ 21,367	\$ 65,039	\$ 43,483	\$ 92,057	\$ 221,946
Receivables:					
Property tax:					
Current year	1,254	-	207	-	1,461
Succeeding year	72,095	-	8,909	-	81,004
Accounts	-	917	-	-	917
Due from other governments	-	-	-	2,168	2,168
Total assets	<u>\$ 94,716</u>	<u>\$ 65,956</u>	<u>\$ 52,599</u>	<u>\$ 94,225</u>	<u>\$ 307,496</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 44	\$ -	\$ -	\$ 44
Deferred revenue:					
Succeeding year property tax	72,095	-	8,909	-	81,004
Total liabilities	<u>72,095</u>	<u>44</u>	<u>8,909</u>	<u>-</u>	<u>81,048</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>22,621</u>	<u>65,912</u>	<u>43,690</u>	<u>94,225</u>	<u>226,448</u>
Total liabilities and fund equity	<u>\$ 94,716</u>	<u>\$ 65,956</u>	<u>\$ 52,599</u>	<u>\$ 94,225</u>	<u>\$ 307,496</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Public Education and Recreation Levy	Capital Projects	
Revenues:					
Local sources:					
Local tax	\$ 60,093	\$ -	\$ 9,929	\$ 18,398	\$ 88,420
Other	103	120,625	725	1,434	122,887
State sources	80	-	13	-	93
Total revenues	<u>60,276</u>	<u>120,625</u>	<u>10,667</u>	<u>19,832</u>	<u>211,400</u>
Expenditures:					
Current:					
Instruction:					
Other instruction	-	119,704	-	-	119,704
Support services:					
Administration services	34,897	-	-	-	34,897
Operation and maintenance of plant services	20,678	-	-	-	20,678
Transportation services	93	-	-	-	93
Total expenditures	<u>55,668</u>	<u>119,704</u>	<u>-</u>	<u>-</u>	<u>175,372</u>
Excess of revenues over expenditures	4,608	921	10,667	19,832	36,028
Fund balances beginning of year	<u>18,013</u>	<u>64,991</u>	<u>33,023</u>	<u>74,393</u>	<u>190,420</u>
Fund balances end of year	<u>\$ 22,621</u>	<u>\$ 65,912</u>	<u>\$ 43,690</u>	<u>\$ 94,225</u>	<u>\$ 226,448</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 2,371	\$ 47,062	\$ 46,454	\$ 2,979
Class of:				
2003	1,444	-	1,444	-
2004	815	-	815	-
2005	940	110	1,050	-
2006	591	7,418	7,737	272
2007	416	251	95	572
2008	535	149	57	627
2009	244	190	-	434
2010	393	277	385	285
Masqued Tigers	2,819	360	491	2,688
Future Homemakers of America	315	-	-	315
Foreign Language Club	82	-	-	82
Instrumental Music	481	1,531	1,931	81
Student Council	2,846	6,693	6,581	2,958
Elementary Student Advisory Council	6,773	2,265	1,735	7,303
Yearbook	3,854	13,221	9,270	7,805
Middle School Enrichment	1,368	-	-	1,368
Middle School Student Council	1,902	2,299	2,597	1,604
Middle School Cheerleaders	239	-	-	239
High School Cheerleaders	775	1,838	1,437	1,176
Music and Drama	5,629	7,066	9,088	3,607
Vocal Music:				
High School	33	-	-	33
Middle School	62	-	-	62
New London Tigerettes	2,934	5,923	3,361	5,496
Interest on Investments	10,045	1,045	6,000	5,090
Boys Basketball	3,172	2,378	3,756	1,794
Sixth Grade Projects	1,545	1,991	1,578	1,958
Playground	577	195	-	772
Middle School Volleyball	209	630	495	344
Tiger Football	1,019	768	1,357	430
Tiger Wrestling	66	2,013	1,820	259
Girls Basketball	3,519	9,531	7,255	5,795
Tiger Volleyball	2,116	3,679	4,398	1,397
Tiger Softball	1,243	1,426	3	2,666
Tiger Baseball	34	3,051	2,308	777
Boys Baseball	1,276	370	222	1,424
Boys Track	911	513	984	440
SADD Club	250	-	-	250
Dragon Boat	159	-	-	159

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Entrepreneurship Club	\$ 152	\$ -	\$ -	152
High School Boys Golf	473	556	-	1,029
Middle School Softball	53	270	-	323
High School Girls Golf	311	556	-	867
Intrafund transfers	-	(5,000)	(5,000)	-
 Total	 <u>\$ 64,991</u>	 <u>\$ 120,625</u>	 <u>\$ 119,704</u>	 <u>\$ 65,912</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,327,471	\$ 1,284,568	\$ 1,239,678	\$ 1,203,633
Tuition	197,809	189,267	134,841	112,187
Other	201,871	316,887	225,273	208,122
Intermediate sources	-	1,000	-	-
State sources	2,369,276	2,434,920	2,371,829	2,298,039
Federal sources	194,018	148,240	142,449	136,352
	<u>\$ 4,290,445</u>	<u>\$ 4,374,882</u>	<u>\$ 4,114,070</u>	<u>\$ 3,958,333</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,253,356	\$ 2,257,220	\$ 2,079,387	\$ 1,991,656
Special instruction	426,273	363,029	385,140	281,712
Other instruction	460,035	371,877	342,661	347,263
Support services:				
Student services	85,562	179,391	168,702	155,871
Instructional staff services	173,748	28,422	25,753	28,489
Administration services	466,970	478,047	446,886	414,168
Operation and maintenance of plant services	394,744	343,117	273,049	273,471
Transportation services	239,801	190,876	127,338	125,050
Other expenditures:				
Facilities acquisition	3,662	43,585	95,798	84,991
Long-term debt:				
Principal	-	7,652	7,213	6,799
Interest and fiscal charges	-	346	785	1,199
AEA flowthrough	154,091	156,856	160,761	159,311
	<u>\$ 4,658,242</u>	<u>\$ 4,420,418</u>	<u>\$ 4,113,473</u>	<u>\$ 3,869,980</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New London Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 16, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New London Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New London Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about New London Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New London Community School District and other parties to whom New London Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New London Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 16, 2005

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts, disbursements and payroll functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible.

Conclusion – Response accepted.

I-B-05 Board Minutes – We noted that the Board minutes are being signed with the Board President’s signature stamp, which is controlled by the Board Secretary.

Recommendation – The Board President should control her own signature stamp or sign the Board minutes with an original signature.

Response – As of the August 2005 Board meeting, we are using original signatures for approval of the Board minutes.

Conclusion – Response accepted.

I-C-05 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – We will make sure that all future disbursements are properly supported prior to the payment being made.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-D-05 Nontimely Deposits – We noted one receipt out of 22 examined that was not deposited to the bank on a timely basis.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum, if daily deposits are not possible.

Response – We will ensure that all receipts are deposited timely in the future.

Conclusion – Response accepted.

I-E-05 Unauthorized Signatures – A bank confirmation indicated the names of former students on two Activity Fund bank accounts who would be able to sign checks as authorized check signers.

Recommendation – The District should obtain and prepare proper authorization cards for all accounts at all banks in which the District deposits District funds.

Response – We will obtain and prepare proper authorization cards at all District financial institutions.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the amounts budgeted in the support services and non-instructional programs functions.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – We will amend our budget before disbursements exceed the budget. The overexpenditure in the support services function was due to the account code conversion during the year, which shifted some items from instruction to support services.
- Conclusion – Response accepted.
- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy. However, the interest rates on two time certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.
- Recommendation – The District should be aware of the current allowable rates to insure that at least the minimum rate is received for all investments. The certificates of deposit, when renewed, should be renewed at a rate of interest which meets the current minimum rate for public funds on the date of renewal.
- Response – The certificates will be renewed at an allowable rate.
- Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

- II-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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