

NEW LONDON COMMUNITY SCHOOL DISTRICT  
NEW LONDON, IOWA

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

JUNE 30, 2008

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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 2007 Election)		
Laurie Hempen	President	2007
Bob McPheron	Vice President	2009
Virginia Ekstrand	Board Member	2007
Joel Prottzman	Board Member	2008
Kelly Kadel	Board Member	2009
<u>Board of Education</u>		
(After September 2007 Election)		
Laurie Hempen	President	2011
Bob McPheron	Vice President	2009
Joel Prottzman	Board Member	2008
Kelly Kadel	Board Member	2009
Dennis Carter	Board Member	2011
<u>School Officials</u>		
Charles Reighard	Superintendent	2009
Nancy Blow	District Secretary/Treasurer (Resigned Oct 26, 2007)	
Jessica Boyer	District Secretary/Treasurer (Appointed Sept 17, 2007)	2008
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, the 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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2009 on our consideration of New London Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and 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 budgetary comparison information on pages 38 through 39 is not a required part of the basic financial statements, but is 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.

The District has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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, 2007 (which are not 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 the 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  
February 17, 2009

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## Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 947,473	\$ 61,640	\$ 1,009,113
Receivables:			
Property tax:			
Current year	21,443	-	21,443
Succeeding year	1,174,000	-	1,174,000
Income surtax	168,706	-	168,706
Accounts	49,984	346	50,330
Due from other governments	212,541	51	212,592
Inventories	-	651	651
Restricted ISCAP assets (note 3):			
Investments	2,037,428	-	2,037,428
Accrued interest receivable	19,411	-	19,411
Capital assets, net of accumulated depreciation (note 4)	1,898,318	13,880	1,912,198
<b>Total assets</b>	<b>6,529,304</b>	<b>76,568</b>	<b>6,605,872</b>
<b>Liabilities</b>			
Accounts payable	84,373	-	84,373
Salaries and benefits payable	402,281	7,420	409,701
ISCAP warrants payable (note 3)	2,025,000	-	2,025,000
ISCAP accrued interest payable (note 3)	13,900	-	13,900
ISCAP unamortized premium (note 3)	24,998	-	24,998
Deferred revenue:			
Succeeding year property tax	1,174,000	-	1,174,000
Long-term liabilities (note 5):			
Portion due within one year:			
Compensated absences	6,951	-	6,951
<b>Total liabilities</b>	<b>3,731,503</b>	<b>7,420</b>	<b>3,738,923</b>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets	\$ 1,898,318	\$ 13,880	\$ 1,912,198
Restricted for:			
Management levy	25,738	-	25,738
Public education and recreation levy	70,082	-	70,082
Physical plant and equipment levy	139,642	-	139,642
Other special revenue purposes	96,640	-	96,640
Capital projects	420,095	-	420,095
State grants	39,737	-	39,737
Unrestricted	<u>107,549</u>	<u>55,268</u>	<u>162,817</u>
Total net assets	<u>\$ 2,797,801</u>	<u>\$ 69,148</u>	<u>\$ 2,866,949</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 3,742,336	\$ 504,761	\$ 462,119	\$ -
Support services:				
Student services	110,834	-	3,213	-
Instructional staff services	108,491	-	-	-
Administration services	599,176	-	-	-
Operation and maintenance of plant services	376,771	329	-	-
Transportation services	263,247	79,345	-	-
	<u>1,458,519</u>	<u>79,674</u>	<u>3,213</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	1,134	-	-	33,972
AEA flowthrough	185,711	-	185,711	-
Depreciation (unallocated) *	65,124	-	-	-
	<u>251,969</u>	<u>-</u>	<u>185,711</u>	<u>33,972</u>
Total governmental activities	<u>5,452,824</u>	<u>584,435</u>	<u>651,043</u>	<u>33,972</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>171,926</u>	<u>86,799</u>	<u>99,900</u>	<u>-</u>
Total	<u>\$ 5,624,750</u>	<u>\$ 671,234</u>	<u>\$ 750,943</u>	<u>\$ 33,972</u>

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,775,456)	\$ -	\$ (2,775,456)
(107,621)	-	(107,621)
(108,491)	-	(108,491)
(599,176)	-	(599,176)
(376,442)	-	(376,442)
(183,902)	-	(183,902)
(1,375,632)	-	(1,375,632)
32,838	-	32,838
-	-	-
(65,124)	-	(65,124)
(32,286)	-	(32,286)
(4,183,374)	-	(4,183,374)
-	14,773	14,773
(4,183,374)	14,773	(4,168,601)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs

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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 included  
    in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 1,164,066	\$ -	\$ 1,164,066
10,371	-	10,371
35,909	-	35,909
153,783	-	153,783
327,794	-	327,794
2,594,839	-	2,594,839
110,634	1,363	111,997
30,379	-	30,379
4,427,775	1,363	4,429,138
244,401	16,136	260,537
2,553,400	53,012	2,606,412
\$ 2,797,801	\$ 69,148	\$ 2,866,949

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 218,384	\$ 676,253	\$ 894,637
Receivables:			
Property tax:			
Current year	19,386	2,057	21,443
Succeeding year	1,053,000	121,000	1,174,000
Income surtax	131,216	37,490	168,706
Accounts	47,432	2,168	49,600
Due from other governments	142,736	69,805	212,541
Restricted ISCAP assets (note 3):			
Investments	2,037,428	-	2,037,428
Accrued interest receivable	19,411	-	19,411
	<u>\$ 3,668,993</u>	<u>\$ 908,773</u>	<u>\$ 4,577,766</u>
Total assets			

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 48,797	\$ 35,576	\$ 84,373
Salaries and benefits payable	402,281	-	402,281
ISCAP warrants payable (note 3)	2,025,000	-	2,025,000
ISCAP accrued interest payable (note 3)	13,900	-	13,900
ISCAP unamortized premium (note 3)	24,998	-	24,998
Deferred revenue:			
Succeeding year property tax	1,053,000	121,000	1,174,000
Other	131,216	37,490	168,706
Total liabilities	<u>3,699,192</u>	<u>194,066</u>	<u>3,893,258</u>
 Fund balance:			
Reserved for:			
State grants	39,737	-	39,737
Unreserved:			
Designated for On the Right Track	-	10,000	10,000
Reported in nonmajor Special Revenue Funds	-	284,612	284,612
Reported in nonmajor Capital Projects Fund	-	420,095	420,095
Undesignated	(69,936)	-	(69,936)
Total fund balances	<u>(30,199)</u>	<u>714,707</u>	<u>684,508</u>
 Total liabilities and fund balances	 <u>\$ 3,668,993</u>	 <u>\$ 908,773</u>	 <u>\$ 4,577,766</u>

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, 2008

Total fund balances of governmental funds	\$	684,508
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.		1,898,318
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		168,706
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.		53,220
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>(6,951)</u>
Net assets of governmental activities	\$	<u><u>2,797,801</u></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, 2008

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,225,934	\$ 481,495	\$ 1,707,429
Tuition	260,611	-	260,611
Other	227,591	214,160	441,751
State sources	3,085,211	-	3,085,211
Federal sources	212,343	25,000	237,343
Total revenues	<u>5,011,690</u>	<u>720,655</u>	<u>5,732,345</u>
Expenditures:			
Current:			
Instruction	3,536,285	189,728	3,726,013
Support services:			
Student services	110,834	-	110,834
Instructional staff services	114,442	-	114,442
Administration services	553,327	41,572	594,899
Operation and maintenance of plant services	346,615	37,226	383,841
Transportation services	223,263	41,733	264,996
	<u>1,348,481</u>	<u>120,531</u>	<u>1,469,012</u>
Other expenditures:			
Facilities acquisition	-	290,731	290,731
AEA flowthrough	185,711	-	185,711
	<u>185,711</u>	<u>290,731</u>	<u>476,442</u>
Total expenditures	<u>5,070,477</u>	<u>600,990</u>	<u>5,671,467</u>
Excess (deficiency) of revenues over (under) expenditures	(58,787)	119,665	60,878
Fund balances beginning of year	<u>28,588</u>	<u>595,042</u>	<u>623,630</u>
Fund balances end of year	<u>\$ (30,199)</u>	<u>\$ 714,707</u>	<u>\$ 684,508</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, 2008

Net change in fund balances - total governmental funds \$ 60,878

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 not 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:

Expenditures for capital assets	\$ 346,614	
Depreciation expense	<u>(123,179)</u>	223,435

Income surtax and other revenues not received until several months after the District's fiscal year end are not considered available revenue in the governmental funds and are deferred. They are, however, recorded as revenue in the Statement of Activities. (35,120)

The change in net assets of the Internal Service Fund represents an undercharge to the governmental funds served. The expenses for governmental activities in the Statement of Activities are adjusted to reflect this amount. (3,588)

Some expenses reported in the Statement of Activities, including compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (1,204)

Change in net assets of governmental activities \$ 244,401

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Assets		
Cash and cash equivalents	\$ 61,640	\$ 52,836
Accounts receivable	346	384
Due from other governments	51	-
Inventories	651	-
Capital assets, net of accumulated depreciation	13,880	-
Total assets	<u>76,568</u>	<u>53,220</u>
Liabilities		
Salaries and benefits payable	<u>7,420</u>	<u>-</u>
Net Assets		
Invested in capital assets	13,880	-
Unrestricted	<u>55,268</u>	<u>53,220</u>
Total net assets	<u>\$ 69,148</u>	<u>\$ 53,220</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, 2008

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 86,799	\$ 454,420
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	49,189	-
Benefits	6,554	-
Purchased services	175	-
Supplies	113,612	-
Depreciation	2,296	-
Other	100	458,008
	<u>171,926</u>	<u>458,008</u>
Operating loss	<u>(85,127)</u>	<u>(3,588)</u>
Non-operating revenues:		
Interest on investments	1,363	-
State sources	2,502	-
Federal sources	97,398	-
Total non-operating revenues	<u>101,263</u>	<u>-</u>
Change in net assets	16,136	(3,588)
Net assets beginning of year	<u>53,012</u>	<u>56,808</u>
Net assets end of year	<u>\$ 69,148</u>	<u>\$ 53,220</u>

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 86,116	\$ -
Cash received from miscellaneous operating activities	362	454,036
Cash payments to employees for services	(54,405)	-
Cash payments to suppliers for goods or services	<u>(103,552)</u>	<u>(458,008)</u>
Net cash used by operating activities	<u>(71,479)</u>	<u>(3,972)</u>
Cash flows from non-capital financing activities:		
State grants received	2,502	-
Federal grants received	<u>87,512</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>90,014</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(2,470)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,363</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	17,428	(3,972)
Cash and cash equivalents beginning of year	<u>44,212</u>	<u>56,808</u>
Cash and cash equivalents end of year	<u>\$ 61,640</u>	<u>\$ 52,836</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (85,127)	\$ (3,588)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	2,296	-
Commodities used	10,335	-
(Increase) in accounts receivable	(321)	(384)
Increase in salaries and benefits payable	<u>1,338</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (71,479)</u>	<u>\$ (3,972)</u>

## Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$10,335 of federal commodities.

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$ 43,650	
Accrued interest receivable		<u>50</u>
Total assets		<u>43,700</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$	<u><u>43,700</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, 2008

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	2,100
Interest		<u>1,358</u>
Total additions		<u>3,458</u>
Deductions:		
Support services:		
Scholarships awarded		1,500
Supplies		<u>2,282</u>
Total deductions		<u>3,782</u>
Change in net assets		(324)
Net assets beginning of year		<u>44,024</u>
Net assets end of year	\$	<u><u>43,700</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 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 attributable 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, 2008

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 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 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 nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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 plan 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, 2008

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.

The 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, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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. 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 in April 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2008 will not be received by the District until several months after the fiscal year end. 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 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, 2008

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	5-20 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 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 the 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, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

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 for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 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. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$791,934.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures 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, 2008 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, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<u>                    </u>
Diversified Portfolio	\$ <u>858,590</u>

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

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

Note 3. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District’s participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2007-08A	6/27/2007	6/27/2008	\$ -	\$ 6,544	\$ -	\$ -	-
2007-08B	1/23/2008	1/23/2009	827,648	12,408	825,000	13,440	4,418
2008-09A	6/26/2008	6/25/2009	1,209,780	459	1,200,000	460	20,580
			<u>2,037,428</u>	<u>19,411</u>	<u>2,025,000</u>	<u>13,900</u>	<u>24,998</u>
Total			\$ <u>2,037,428</u>	\$ <u>19,411</u>	\$ <u>2,025,000</u>	\$ <u>13,900</u>	\$ <u>24,998</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 3. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08A	\$ -	\$ 500,000	\$ 500,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.50%	5.455%
2007-08B	3.75%	3.451%
2008-09A	3.50%	3.469%

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2008 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	506,176	82,148	506,176	82,148
Total capital assets not being depreciated	<u>553,877</u>	<u>82,148</u>	<u>506,176</u>	<u>129,849</u>
Capital assets being depreciated:				
Buildings	2,271,638	726,124	-	2,997,762
Improvements other than buildings	206,117	-	-	206,117
Furniture and equipment	961,043	44,518	36,000	969,561
Total capital assets being depreciated	<u>3,438,798</u>	<u>770,642</u>	<u>36,000</u>	<u>4,173,440</u>
Less accumulated depreciation for:				
Buildings	1,482,766	51,079	-	1,533,845
Improvements other than buildings	177,422	1,714	-	179,136
Furniture and equipment	657,604	70,386	36,000	691,990
Total accumulated depreciation	<u>2,317,792</u>	<u>123,179</u>	<u>36,000</u>	<u>2,404,971</u>
Total capital assets being depreciated, net	<u>1,121,006</u>	<u>647,463</u>	<u>-</u>	<u>1,768,469</u>
Governmental activities capital assets, net	<u>\$ 1,674,883</u>	<u>\$ 729,611</u>	<u>\$ 506,176</u>	<u>\$ 1,898,318</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 97,350	\$ 2,470	\$ -	\$ 99,820
Less accumulated depreciation	<u>83,644</u>	<u>2,296</u>	<u>-</u>	<u>85,940</u>
Business-type activities capital assets, net	<u>\$ 13,706</u>	<u>\$ 174</u>	<u>\$ -</u>	<u>\$ 13,880</u>

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

Governmental activities:	
Instruction	\$ 13,199
Support services:	
Instructional staff	2,743
Administration	4,370
Operation and maintenance of plant services	4,615
Transportation	<u>33,128</u>
	58,055
Unallocated depreciation	<u>65,124</u>
Total governmental activities depreciation expense	<u>\$ 123,179</u>
Business-type activities:	
Food service operations	<u>\$ 2,296</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>Compensated Absences</u>
Balance beginning of year	\$ 5,747
Additions	6,951
Reductions	<u>5,747</u>
Balance end of year	<u>\$ 6,951</u>
Due within one year	<u>\$ 6,951</u>

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 and be eligible to receive IPERS retirement benefits. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$15,000. Early retirement benefits are paid into a 403(b) plan in June of the year of retirement.

At June 30, 2008, the District has no early retirement obligations. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$45,000.

Note 6. 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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$177,377, \$156,907, and \$155,896, respectively, equal to the required contributions for each year.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. 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.

Note 8. 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 \$185,711 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Construction Commitments

The District has entered into a contract totaling \$142,000 for building remodeling. As of June 30, 2008, costs of \$21,860 had been incurred against the contracts. The balance of \$120,140 remaining at June 30, 2008 will be paid as work on the project progresses.

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Required Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
 Budget and Actual – All Governmental Funds  
 and Proprietary Fund  
 Required Supplementary Information  
 Year Ended June 30, 2008

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 2,409,791	\$ 88,162	\$ 2,497,953	\$ 2,180,677	\$ 2,180,677	\$ 317,276
State sources	3,085,211	2,502	3,087,713	3,030,593	3,030,593	57,120
Federal sources	237,343	97,398	334,741	210,000	210,000	124,741
<b>Total revenues</b>	<b>5,732,345</b>	<b>188,062</b>	<b>5,920,407</b>	<b>5,421,270</b>	<b>5,421,270</b>	<b>499,137</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	3,726,013	-	3,726,013	3,425,000	3,767,500	41,487
Support services	1,469,012	-	1,469,012	1,335,000	1,468,500	(512)
Non-instructional programs	-	171,926	171,926	171,786	171,786	(140)
Other expenditures	476,442	-	476,442	1,007,834	1,007,834	531,392
<b>Total expenditures/expenses</b>	<b>5,671,467</b>	<b>171,926</b>	<b>5,843,393</b>	<b>5,939,620</b>	<b>6,415,620</b>	<b>572,227</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	60,878	16,136	77,014	(518,350)	(994,350)	1,071,364
Balance beginning of year	623,630	53,012	676,642	641,729	641,729	34,913
Balance end of year	<u>\$ 684,508</u>	<u>\$ 69,148</u>	<u>\$ 753,656</u>	<u>\$ 123,379</u>	<u>\$ (352,621)</u>	<u>\$ 1,106,277</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2008

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 accrual basis.

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 function 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, the District adopted one budget amendment increasing budgeted expenditures by \$476,000.

During the year ended June 30, 2008, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

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Other Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy
<b>Assets</b>				
Cash and pooled investments	\$ 24,493	\$ 94,613	\$ 69,900	\$ 80,783
Receivables:				
Property tax:				
Current year	1,245	-	182	630
Succeeding year	72,000	-	10,000	39,000
Income surtax	-	-	-	37,490
Accounts	-	2,168	-	-
Due from other governments	-	-	-	20,739
<b>Total assets</b>	<b>\$ 97,738</b>	<b>\$ 96,781</b>	<b>\$ 80,082</b>	<b>\$ 178,642</b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 141	\$ -	\$ -
Deferred revenue:				
Succeeding year property tax	72,000	-	10,000	39,000
Other	-	-	-	37,490
<b>Total liabilities</b>	<b>72,000</b>	<b>141</b>	<b>10,000</b>	<b>76,490</b>
<b>Fund equity:</b>				
<b>Fund balances:</b>				
<b>Unreserved:</b>				
Designated for On the Right Track	-	-	10,000	-
Undesignated	25,738	96,640	60,082	102,152
<b>Total fund equity</b>	<b>25,738</b>	<b>96,640</b>	<b>70,082</b>	<b>102,152</b>
<b>Total liabilities and fund equity</b>	<b>\$ 97,738</b>	<b>\$ 96,781</b>	<b>\$ 80,082</b>	<b>\$ 178,642</b>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 406,464	\$ 676,253
-	2,057
-	121,000
-	37,490
-	2,168
49,066	69,805
\$ 455,530	\$ 908,773
\$ 35,435	\$ 35,576
-	121,000
-	37,490
35,435	194,066
-	10,000
420,095	704,707
420,095	714,707
\$ 455,530	\$ 908,773

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy
Revenues:				
Local sources:				
Local tax	\$ 70,177	\$ -	\$ 10,371	\$ 73,153
Other	9,441	161,077	30,274	1,602
Federal sources	-	-	-	20,739
Total revenues	<u>79,618</u>	<u>161,077</u>	<u>40,645</u>	<u>95,494</u>
Expenditures:				
Current:				
Instruction	45,000	144,728	-	-
Support services:				
Administration services	41,572	-	-	-
Operation and maintenance of plant services	24,727	-	12,499	-
Transportation services	5,909	-	-	16,700
Other expenditures:				
Facilities acquisition	-	-	-	2,260
Total expenditures	<u>117,208</u>	<u>144,728</u>	<u>12,499</u>	<u>18,960</u>
Excess (deficiency) of revenues over (under) expenditures	(37,590)	16,349	28,146	76,534
Fund balances beginning of year	<u>63,328</u>	<u>80,291</u>	<u>41,936</u>	<u>25,618</u>
Fund balances end of year	<u>\$ 25,738</u>	<u>\$ 96,640</u>	<u>\$ 70,082</u>	<u>\$ 102,152</u>

See accompanying independent auditor's report.

	<u>Capital Projects</u>		<u>Total</u>
\$	327,794	\$	481,495
	11,766		214,160
	4,261		25,000
	<u>343,821</u>		<u>720,655</u>
	-		189,728
	-		41,572
	-		37,226
	19,124		41,733
	<u>288,471</u>		<u>290,731</u>
	<u>307,595</u>		<u>600,990</u>
	36,226		119,665
	<u>383,869</u>		<u>595,042</u>
\$	<u><u>420,095</u></u>	\$	<u><u>714,707</u></u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 4,879	\$ 56,885	\$ 51,552	\$ 10,212
Art Club	118	-	-	118
Class of:				
2007	187	450	-	637
2008	1,728	535	455	1,808
2009	789	8,858	8,027	1,620
2010	647	-	-	647
2012	323	226	-	549
2013	4	312	-	316
Masqued Tigers	2,755	3,443	993	5,205
Future Homemakers of America	315	-	-	315
Foreign Language Club	82	-	-	82
Instrumental Music	454	4,119	4,024	549
Student Council	6,550	4,741	6,832	4,459
Elementary Student Advisory Council	7,819	3,039	3,070	7,788
Yearbook	8,238	7,082	8,167	7,153
Middle School Enrichment	1,368	2,004	-	3,372
Middle School Student Council	2,565	370	1,066	1,869
Middle School Cheerleaders	239	-	-	239
High School Cheerleaders	1,381	965	683	1,663
Music and Drama	2,663	8,846	10,613	896
Vocal Music:				
High School	103	1,517	-	1,620
Middle School	62	-	-	62
New London Tigerettes	3,824	1,291	371	4,744
Interest on Investments	4,781	3,031	2,025	5,787
Boys Basketball	3,073	6,267	4,195	5,145
Sixth Grade Projects	2,882	2,175	1,850	3,207
Tiger Tales Book Store	136	1,621	1,517	240
Playground	770	-	24	746
Middle School Volleyball	405	25	60	370
Tiger Football	616	8,491	5,199	3,908
Tiger Wrestling	833	1,968	2,755	46
Tiger Girls Basketball	7,044	7,714	7,389	7,369
Burkhart Girls Basketball	971	-	-	971
Tiger Volleyball	1,714	11,578	10,972	2,320
Tiger Softball	3,163	6,083	5,364	3,882
Tiger Baseball	1,483	3,701	4,232	952
Boys Baseball	946	240	787	399
Boys Track	774	711	354	1,131

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SADD Club	\$ 227	\$ -	\$ -	\$ 227
Dragon Boat	159	-	-	159
Entrepreneurship Club	152	-	-	152
High School Boys Golf	1,374	826	942	1,258
Middle School Softball	439	372	181	630
High School Girls Golf	544	826	589	781
Clark Cards	712	765	440	1,037
 Total	 \$ 80,291	 \$ 161,077	 \$ 144,728	 \$ 96,640

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,			
	2008	2007	2006	2005
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,707,429	\$ 1,656,080	\$ 1,591,318	\$ 1,327,471
Tuition	260,611	170,869	192,869	197,809
Other	441,751	331,331	306,179	201,871
State sources	3,085,211	2,751,262	2,712,146	2,369,276
Federal sources	237,343	220,729	124,892	194,018
<b>Total revenues</b>	<b>\$ 5,732,345</b>	<b>\$ 5,130,271</b>	<b>\$ 4,927,404</b>	<b>\$ 4,290,445</b>
<b>Expenditures:</b>				
Instruction	\$ 3,726,013	\$ 3,388,690	\$ 3,298,584	\$ 3,139,664
Support services:				
Student services	110,834	101,376	97,041	85,562
Instructional staff services	114,442	110,957	72,122	173,748
Administration services	594,899	513,020	487,501	466,970
Operation and maintenance of plant services	383,841	419,060	457,882	394,744
Transportation services	264,996	216,290	185,782	239,801
Other expenditures:				
Facilities acquisition	290,731	461,344	178,013	3,662
AEA flowthrough	185,711	168,638	164,835	154,091
<b>Total expenditures</b>	<b>\$ 5,671,467</b>	<b>\$ 5,379,375</b>	<b>\$ 4,941,760</b>	<b>\$ 4,658,242</b>

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New London Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New London Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New London Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New London Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of New London Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by New London Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-B-08 and I-C-08 are material weaknesses.

### 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, contracts and grant agreements, 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, 2008 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.

New London Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit New London Community School District's responses and, accordingly, we express no opinion on them.

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  
February 17, 2009

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-08 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-08 Bank Reconciliation – We noted that bank reconciliations are prepared for each bank account but are not reconciled to the general ledger. This leads to posting errors remaining undetected and many unrecorded transactions. We noted that \$33,544 of deposits in transit and \$33,406 of outstanding checks were not included on the bank reconciliation. We also noted \$26,077 of unrecorded receipts, \$11,995 of receipts recorded twice and an unreconciled difference of \$1,226. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger each month. This allows the District to timely detect and correct errors or omissions.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any differences will be investigated and corrected timely.

Conclusion – Response accepted.

I-C-08 Financial Reporting – During the audit, we identified material amounts of receivables, payables and receipts not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and receipts are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or receipts.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

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

Significant Deficiencies (continued):

I-D-08 Netting of Revenues to Expenditures – We noted \$7,138 of revenues in the General Fund that were posted against expenditure accounts.

Recommendation – This practice understates both revenues and expenditures and bypasses the budget. The District should avoid netting revenues against expenditure accounts.

Response – We will properly record all revenues in the future.

Conclusion – Response accepted.

I-E-08 School Nutrition Fund Accounts – The District records student meal deposits as revenue in the Enterprise, School Nutrition Fund, even though the revenue is not actually earned until the student purchases a meal.

Recommendation – The District should record student meal deposits in a deferred revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue.

Response – We will consider setting up a deferred revenue account to record meal deposits until the revenue has been earned.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, 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 expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget.

Conclusion – Response accepted.

II-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-08 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-D-08 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nancy Blow, Board Secretary Spouse is owner of John Blow Masonry	Construction services	\$30,922
Kim Wagner, employee Spouse is owner of Wagner Construction	Door installation	\$ 4,625

In accordance with Chapter 279.7A of the Code of Iowa, the transactions do not appear to represent conflicts of interest.

II-E-08 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-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-08 Deposits and Investments – 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 were noted.

II-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

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

II-J-08 Financial Condition – The General Fund has a negative unreserved, undesignated fund balance of \$69,936 and a negative fund balance of \$30,199.

Recommendation – The District needs to explore alternatives to restore the General Fund to a sound financial condition.

Response – The Board is aware of the condition and will work on restoring the District to a sound financial condition.

Conclusion – Response accepted.

II-K-08 Substitute Teacher Pay – We noted payments to three substitute teachers for work that did not run through the District’s payroll.

Recommendation – The District should ensure that all payments to employees, including substitute teachers, for services performed be treated as compensation and, accordingly, withhold the appropriate taxes as required by the Internal Revenue Service and the Iowa Department of Revenue and Finance.

Response – We will make sure that all payments to substitute teachers for services performed run through the District’s normal payroll process.

Conclusion – Response accepted.