

NEW LONDON COMMUNITY SCHOOL DISTRICT
NEW LONDON, IOWA

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

JUNE 30, 2010

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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 2009 Election)		
Laurie Hempen	President	2011
Bob McPheron	Vice President	2009
Kelly Kadel	Board Member	2009
Dennis Carter	Board Member	2011
Joel Prottzman	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Laurie Hempen	President	2011
Bob McPheron	Vice President	2013
Dennis Carter	Board Member	2011
Joel Prottzman	Board Member	2011
Lindsay Porter	Board Member	2013
<u>School Officials</u>		
Charles Reighard	Superintendent	2010
Jessica Boyer	District Secretary/Treasurer	2010
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, 2010, 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 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 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, 2010, 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 January 10, 2011 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 grant agreements. 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 and Schedule of Funding Progress for the Retiree Health Plan on pages 40 through 42 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.

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 five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa
January 10, 2011

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Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,423,806	\$ 131,053	\$ 1,554,859
Receivables:			
Property tax:			
Current year	22,909	-	22,909
Succeeding year	1,501,994	-	1,501,994
Income surtax	176,126	-	176,126
Accounts	847	-	847
Due from other governments	193,875	-	193,875
Inventories	-	675	675
Prepaid expenses	19,811	-	19,811
Capital assets, net of accumulated depreciation (note 4)	2,000,664	12,295	2,012,959
Total assets	5,340,032	144,023	5,484,055
Liabilities			
Accounts payable	162,608	209	162,817
Salaries and benefits payable	419,981	5,338	425,319
Deferred revenue:			
Succeeding year property tax	1,501,994	-	1,501,994
Other	41,604	-	41,604
Long-term liabilities (notes 5 and 6):			
Portion due within one year:			
Compensated absences	7,198	-	7,198
Portion due after one year:			
Net OPEB liability	23,000	-	23,000
Total liabilities	2,156,385	5,547	2,161,932

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets	\$ 2,000,664	\$ 12,295	\$ 2,012,959
Restricted for:			
Categorical funding (note 10)	126,868	-	126,868
Management levy	47,464	-	47,464
Public education and recreation levy	116,626	-	116,626
Physical plant and equipment levy	186,887	-	186,887
Other special revenue purposes	101,884	-	101,884
Capital projects	562,314	-	562,314
Unrestricted	<u>40,940</u>	<u>126,181</u>	<u>167,121</u>
Total net assets	<u>\$ 3,183,647</u>	<u>\$ 138,476</u>	<u>\$ 3,322,123</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 4,051,847	\$ 495,964	\$ 601,534	\$ -
Support services:				
Student services	57,839	-	32,891	-
Instructional staff services	115,982	-	-	-
Administration services	549,954	-	-	-
Operation and maintenance of plant services	342,266	526	-	-
Transportation services	236,972	29,762	330	-
	<u>1,303,013</u>	<u>30,288</u>	<u>33,221</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	102,179	-	-	7,406
AEA flowthrough	219,068	-	219,068	-
Depreciation (unallocated) *	66,930	-	-	-
	<u>388,177</u>	<u>-</u>	<u>219,068</u>	<u>7,406</u>
Total governmental activities	<u>5,743,037</u>	<u>526,252</u>	<u>853,823</u>	<u>7,406</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>177,523</u>	<u>100,691</u>	<u>112,451</u>	<u>-</u>
Total	<u>\$ 5,920,560</u>	<u>\$ 626,943</u>	<u>\$ 966,274</u>	<u>\$ 7,406</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,954,349)	\$ -	\$ (2,954,349)
(24,948)	-	(24,948)
(115,982)	-	(115,982)
(549,954)	-	(549,954)
(341,740)	-	(341,740)
(206,880)	-	(206,880)
(1,239,504)	-	(1,239,504)
(94,773)	-	(94,773)
-	-	-
(66,930)	-	(66,930)
(161,703)	-	(161,703)
(4,355,556)	-	(4,355,556)
-	35,619	35,619
(4,355,556)	35,619	(4,319,937)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Public education and recreation

Capital outlay

Income surtax

Statewide sales and services tax

Unrestricted state and federal 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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	1,320,420	\$ -	\$	1,320,420
	11,299	-		11,299
	45,398	-		45,398
	184,634	-		184,634
	304,312	-		304,312
	2,515,480	-		2,515,480
	28,732	34		28,766
	16,108	-		16,108
	<hr/> 4,426,383	34		<hr/> 4,426,417
	70,827	35,653		106,480
	<hr/> 3,112,820	102,823		<hr/> 3,215,643
\$	<u><u>3,183,647</u></u>	<u><u>\$ 138,476</u></u>	\$	<u><u>3,322,123</u></u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 436,685	\$ 534,243	\$ 393,800	\$ 1,364,728
Receivables:				
Property tax:				
Current year	20,475	-	2,434	22,909
Succeeding year	1,365,268	-	136,726	1,501,994
Income surtax	136,987	-	39,139	176,126
Accounts	-	-	847	847
Due from other governments	112,131	81,744	-	193,875
Prepaid expenses	-	-	19,811	19,811
	<hr/>			
Total assets	<u>\$ 2,071,546</u>	<u>\$ 615,987</u>	<u>\$ 592,757</u>	<u>\$ 3,280,290</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	105,765	53,673	3,170	162,608
Salaries and benefits payable	419,981	-	-	419,981
Deferred revenue:				
Succeeding year property tax	1,365,268	-	136,726	1,501,994
Other	178,591	-	39,139	217,730
Total liabilities	<u>2,069,605</u>	<u>53,673</u>	<u>179,035</u>	<u>2,302,313</u>
Fund balances:				
Reserved for:				
Categorical funding (note 10)	126,868	-	-	126,868
Prepaid expenses	-	-	19,811	19,811
Unreserved:				
Designated for On the Right Track	-	-	27,285	27,285
Undesignated, reported in:				
General fund	(124,927)	-	-	(124,927)
Special revenue funds	-	-	366,626	366,626
Capital projects fund	-	562,314	-	562,314
Total fund balances	<u>1,941</u>	<u>562,314</u>	<u>413,722</u>	<u>977,977</u>
Total liabilities and fund balances	<u>\$ 2,071,546</u>	<u>\$ 615,987</u>	<u>\$ 592,757</u>	<u>\$ 3,280,290</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, 2010

Total fund balances of governmental funds	\$ 977,977
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.	2,000,664
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	176,126
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.	59,078
Long-term liabilities, including compensated absences and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(30,198)</u>
Net assets of governmental activities	<u>\$ 3,183,647</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, 2010

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,373,133	\$ 304,312	\$ 187,170	\$ 1,864,615
Tuition	311,495	-	-	311,495
Other	124,749	703	151,962	277,414
State sources	2,807,779	-	154	2,807,933
Federal sources	552,407	-	-	552,407
Total revenues	<u>5,169,563</u>	<u>305,015</u>	<u>339,286</u>	<u>5,813,864</u>
Expenditures:				
Current:				
Instruction	3,799,731	-	185,354	3,985,085
Support services:				
Student services	57,839	-	-	57,839
Instructional staff services	66,362	-	63,038	129,400
Administration services	505,095	-	35,218	540,313
Operation and maintenance of plant services	324,261	15,945	121	340,327
Transportation services	231,897	-	4,856	236,753
	<u>1,185,454</u>	<u>15,945</u>	<u>103,233</u>	<u>1,304,632</u>
Other expenditures:				
Facilities acquisition	-	228,112	15,750	243,862
AEA flowthrough	219,068	-	-	219,068
	<u>219,068</u>	<u>228,112</u>	<u>15,750</u>	<u>462,930</u>
Total expenditures	<u>5,204,253</u>	<u>244,057</u>	<u>304,337</u>	<u>5,752,647</u>
Excess (deficiency) of revenues over (under) expenditures	(34,690)	60,958	34,949	61,217
Fund balances beginning of year	<u>36,631</u>	<u>501,356</u>	<u>378,773</u>	<u>916,760</u>
Fund balances end of year	<u>\$ 1,941</u>	<u>\$ 562,314</u>	<u>\$ 413,722</u>	<u>\$ 977,977</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, 2010

Net change in fund balances - total governmental funds \$ 61,217

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	\$ 190,589	
Depreciation expense	<u>(131,973)</u>	58,616

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. (29,254)

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 the governmental funds, as follows:

Compensated absences	3,248	
Net OPEB liability	<u>(23,000)</u>	<u>(19,752)</u>

Change in net assets of governmental activities \$ 70,827

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Enterprise- School Nutrition	Internal Service- Section 125 Benefits
Assets		
Cash and cash equivalents	\$ 131,053	\$ 59,078
Inventories	675	-
Capital assets, net of accumulated depreciation (note 4)	<u>12,295</u>	<u>-</u>
Total assets	<u>144,023</u>	<u>59,078</u>
Liabilities		
Accounts payable	209	-
Salaries and benefits payable	<u>5,338</u>	<u>-</u>
Total liabilities	<u>5,547</u>	<u>-</u>
Net Assets		
Invested in capital assets	12,295	-
Unrestricted	<u>126,181</u>	<u>59,078</u>
Total net assets	<u>\$ 138,476</u>	<u>\$ 59,078</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, 2010

	Enterprise- School Nutrition	Internal Service- Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 100,691	\$ 444,539
Operating expenses:		
Non-instructional programs:		
Salaries	48,449	-
Benefits	6,834	-
Purchased services	169	-
Supplies	119,395	-
Depreciation	2,316	-
Other	360	473,793
	<u>177,523</u>	<u>473,793</u>
Operating loss	(76,832)	(29,254)
Non-operating revenues:		
Interest on investments	34	-
State sources	2,171	-
Federal sources	110,280	-
Total non-operating revenues	<u>112,485</u>	<u>-</u>
Change in net assets	35,653	(29,254)
Net assets beginning of year	<u>102,823</u>	<u>88,332</u>
Net assets end of year	<u>\$ 138,476</u>	<u>\$ 59,078</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise- School Nutrition	Internal Service- Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 99,067	\$ -
Cash received from miscellaneous operating activities	1,624	444,932
Cash payments to employees for services	(49,945)	-
Cash payments to suppliers for goods or services	<u>(103,318)</u>	<u>(473,793)</u>
Net cash used by operating activities	<u>(52,572)</u>	<u>(28,861)</u>
Cash flows from non-capital financing activities:		
State grants received	2,171	-
Federal grants received	<u>94,021</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>96,192</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(567)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>34</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	43,087	(28,861)
Cash and cash equivalents beginning of year	<u>87,966</u>	<u>87,939</u>
Cash and cash equivalents end of year	<u>\$ 131,053</u>	<u>\$ 59,078</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise- School Nutrition	Internal Service- Section 125 Benefits
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (76,832)	\$ (29,254)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	2,316	-
Commodities used	16,259	-
Decrease in accounts receivable	-	393
Decrease in inventories	138	-
Increase in accounts payable	209	-
Increase in salaries and benefits payable	<u>5,338</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (52,572)</u>	<u>\$ (28,861)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$16,259 of federal commodities.

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>25,002</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>25,002</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, 2010

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 250
Interest	<u>450</u>
Total additions	<u>700</u>
Deductions:	
Support services:	
Scholarships awarded	1,503
Supplies	<u>8,990</u>
Total deductions	<u>10,493</u>
Change in net assets	(9,793)
Net assets beginning of year	<u>34,795</u>
Net assets end of year	<u>\$ 25,002</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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. 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, 2010

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 funds:

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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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, 2010

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, 2010

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2010 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, 2010

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	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	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 in the governmental funds 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 unspent grant proceeds and 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, 2010

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, 2010. 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, 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. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$1,142,043.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010

Note 2. Cash and Pooled Investments (continued)

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>908,618</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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th 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. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. N.A. prime rate plus 50 basis points with a minimum interest rate of 4.50%. There was no ISCAP activity for the year ended June 30, 2010.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2010 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	-	7,804	-	7,804
Total capital assets not being depreciated	<u>47,701</u>	<u>7,804</u>	<u>-</u>	<u>55,505</u>
Capital assets being depreciated:				
Buildings	3,138,934	-	-	3,138,934
Improvements other than buildings	222,546	-	-	222,546
Furniture and equipment	1,000,712	182,785	-	1,183,497
Total capital assets being depreciated	<u>4,362,192</u>	<u>182,785</u>	<u>-</u>	<u>4,544,977</u>
Less accumulated depreciation for:				
Buildings	1,587,013	53,167	-	1,640,180
Improvements other than buildings	181,672	2,401	-	184,073
Furniture and equipment	699,160	76,405	-	775,565
Total accumulated depreciation	<u>2,467,845</u>	<u>131,973</u>	<u>-</u>	<u>2,599,818</u>
Total capital assets being depreciated, net	<u>1,894,347</u>	<u>50,812</u>	<u>-</u>	<u>1,945,159</u>
Governmental activities capital assets, net	<u>\$ 1,942,048</u>	<u>\$ 58,616</u>	<u>\$ -</u>	<u>\$ 2,000,664</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 102,344	\$ 567	\$ -	\$ 102,911
Less accumulated depreciation	88,300	2,316	-	90,616
Business-type activities capital assets, net	<u>\$ 14,044</u>	<u>\$ (1,749)</u>	<u>\$ -</u>	<u>\$ 12,295</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets (continued)

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

Governmental activities:

Instruction	\$ 23,754
Support services:	
Instructional staff	2,743
Administration	4,370
Operation and maintenance of plant services	4,700
Transportation	29,476
	<u>65,043</u>
Unallocated depreciation	<u>66,930</u>
Total governmental activities depreciation expense	<u>\$ 131,973</u>

Business-type activities:

Food service operations	<u>\$ 2,316</u>
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Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 10,446	\$ -	\$ 10,446
Additions	7,198	23,000	30,198
Reductions	10,446	-	10,446
	<u>7,198</u>	<u>23,000</u>	<u>30,198</u>
Balance end of year	<u>\$ 7,198</u>	<u>\$ 23,000</u>	<u>\$ 30,198</u>
Due within one year	<u>\$ 7,198</u>	<u>\$ -</u>	<u>\$ 7,198</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Liabilities (continued)

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, 2010, the District has no early retirement obligations. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$54,375.

Note 6. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 45 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 26,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>26,000</u>
Contributions made	<u>3,000</u>
Increase in net OPEB obligation	23,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 23,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$3,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 26,000	11.5%	\$ 23,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$203,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$203,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,208,000, and the ratio of the UAAL to covered payroll was 9.2%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 7. 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$213,543, \$197,804, and \$177,377, respectively, equal to the required contributions for each year.

Note 8. 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 9. 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 \$219,068 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 8,164
Beginning teacher mentoring and induction	3,771
Salary improvement program	70,699
Additional teacher contract day	3
Additional salary, professional development, or both	7,873
Market factor	4,076
Iowa early intervention block grant	11,508
Professional development for model core curriculum	11,705
Professional development	7,150
Market factor incentives	<u>1,919</u>
Total	\$ <u><u>126,868</u></u>

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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, 2010

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 2,453,524	\$ 100,725	\$ 2,554,249	\$ 2,728,530	\$ (174,281)
State sources	2,807,933	2,171	2,810,104	3,513,571	(703,467)
Federal sources	552,407	110,280	662,687	211,900	450,787
Total revenues	5,813,864	213,176	6,027,040	6,454,001	(426,961)
EXPENDITURES/EXPENSES:					
Instruction	3,985,085	-	3,985,085	4,124,033	138,948
Support services	1,304,632	-	1,304,632	1,994,033	689,401
Non-instructional programs	-	177,523	177,523	200,000	22,477
Other expenditures	462,930	-	462,930	961,340	498,410
Total expenditures/expenses	5,752,647	177,523	5,930,170	7,279,406	1,349,236
Excess (deficiency) of revenues over (under) expenditures/ expenses	61,217	35,653	96,870	(825,405)	922,275
Balance beginning of year	916,760	102,823	1,019,583	1,037,762	(18,179)
Balance end of year	\$ 977,977	\$ 138,476	\$ 1,116,453	\$ 212,357	\$ 904,096

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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 ended June 30, 2010, expenditures did not exceed the amounts budgeted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 203	\$ 203	0.0%	\$ 2,208	9.2%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue				Total
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy	
Assets					
Cash and pooled investments	\$ 25,325	\$ 105,037	\$ 116,438	\$ 147,000	\$ 393,800
Receivables:					
Property tax:					
Current year	1,498	-	188	748	2,434
Succeeding year	75,000	-	12,218	49,508	136,726
Income surtax	-	-	-	39,139	39,139
Accounts	847	-	-	-	847
Prepaid expenses	19,811	-	-	-	19,811
Total assets	\$ <u>122,481</u>	\$ <u>105,037</u>	\$ <u>128,844</u>	\$ <u>236,395</u>	\$ <u>592,757</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 17	\$ 3,153	\$ -	\$ -	\$ 3,170
Deferred revenue:					
Succeeding year property tax	75,000	-	12,218	49,508	136,726
Other	-	-	-	39,139	39,139
Total liabilities	75,017	3,153	12,218	88,647	179,035
Fund balances:					
Reserved for:					
Prepaid expenses	19,811	-	-	-	19,811
Unreserved:					
Designated for On the Right Track	-	-	27,285	-	27,285
Undesignated	27,653	101,884	89,341	147,748	366,626
Total fund balances	47,464	101,884	116,626	147,748	413,722
Total liabilities and fund balances	\$ <u>122,481</u>	\$ <u>105,037</u>	\$ <u>128,844</u>	\$ <u>236,395</u>	\$ <u>592,757</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, 2010

	Special Revenue				Total
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy	
Revenues:					
Local sources:					
Local tax	\$ 89,913	\$ -	\$ 11,287	\$ 85,970	\$ 187,170
Other	10,475	132,706	8,742	39	151,962
State sources	95	-	12	47	154
Total revenues	<u>100,483</u>	<u>132,706</u>	<u>20,041</u>	<u>86,056</u>	<u>339,286</u>
Expenditures:					
Current:					
Instruction	54,375	130,979	-	-	185,354
Support services:					
Instructional staff services	-	-	-	63,038	63,038
Administration services	35,218	-	-	-	35,218
Operation and maintenance of plant services	-	-	121	-	121
Transportation services	4,856	-	-	-	4,856
Other expenditures:					
Facilities acquisition	-	-	-	15,750	15,750
Total expenditures	<u>94,449</u>	<u>130,979</u>	<u>121</u>	<u>78,788</u>	<u>304,337</u>
Excess of revenues over expenditures	6,034	1,727	19,920	7,268	34,949
Fund balances beginning of year	<u>41,430</u>	<u>100,157</u>	<u>96,706</u>	<u>140,480</u>	<u>378,773</u>
Fund balances end of year	<u>\$ 47,464</u>	<u>\$ 101,884</u>	<u>\$ 116,626</u>	<u>\$ 147,748</u>	<u>\$ 413,722</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, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 13,541	\$ 53,735	\$ 51,807	\$ 15,469
Art Club	117	-	-	117
Classes of 2008-2017	4,925	5,529	4,554	5,900
Masqued Tigers	4,477	1,253	1,030	4,700
Future Homemakers of America	315	-	-	315
Foreign Language Club	82	-	-	82
Instrumental Music	321	1,867	2,312	(124)
Student Council	5,313	7,301	6,836	5,778
Elementary Student Advisory Council	7,338	8,084	6,279	9,143
Yearbook	5,594	5,613	7,273	3,934
Middle School Student Council	7,692	4,121	8,140	3,673
Middle School Cheerleaders	239	-	-	239
High School Cheerleaders	1,372	1,065	533	1,904
Music and Drama	140	4,673	3,288	1,525
Vocal Music:				
High School	2,246	494	-	2,740
Middle School	62	-	-	62
New London Tigerettes	4,941	739	596	5,084
Interest on Investments	5,387	81	2,025	3,443
Boys Basketball	6,014	1,700	1,160	6,554
Sixth Grade Projects	3,733	3,189	2,140	4,782
Tiger Tales Book Store	277	289	271	295
Playground	746	-	-	746
Middle School Volleyball	310	-	60	250
Tiger Football	996	5,611	5,465	1,142
Tiger Wrestling	522	3,065	2,764	823
Tiger Girls Basketball	7,570	6,254	4,690	9,134
Burkhart Girls Basketball	532	-	95	437
Tiger Volleyball	3,589	8,789	11,100	1,278
Tiger Softball	3,777	3,209	2,756	4,230
Tiger Baseball	880	2,342	1,912	1,310
MS Boys Baseball	(1)	255	314	(60)
Jump Rope for Heart	2,478	-	563	1,915

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Track	\$ 1,186	\$ 706	\$ 450	\$ 1,442
SADD Club	227	-	-	227
Dragon Boat	159	-	-	159
Entrepreneurship Club	152	-	-	152
High School Boys Golf	1,384	279	333	1,330
Middle School Softball	258	308	90	476
High School Girls Golf	907	279	332	854
Clark Cards	359	1,876	1,811	424
 Total	 \$ <u>100,157</u>	 \$ <u>132,706</u>	 \$ <u>130,979</u>	 \$ <u>101,884</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 SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 1,864,615	\$ 1,804,112	\$ 1,707,429	\$ 1,656,080
Tuition	311,495	303,108	260,611	170,869
Other	277,414	376,144	441,751	331,331
Intermediate sources	-	176	-	-
State sources	2,807,933	3,274,593	3,085,211	2,751,262
Federal sources	552,407	203,607	237,343	220,729
Total revenues	<u>\$ 5,813,864</u>	<u>\$ 5,961,740</u>	<u>\$ 5,732,345</u>	<u>\$ 5,130,271</u>
Expenditures:				
Instruction	\$ 3,985,085	\$ 3,885,220	\$ 3,726,013	\$ 3,388,690
Support services:				
Student services	57,839	111,955	110,834	101,376
Instructional staff services	129,400	106,071	114,442	110,957
Administration services	540,313	556,546	594,899	513,020
Operation and maintenance of plant services	340,327	386,326	383,841	419,060
Transportation services	236,753	271,055	264,996	216,290
Other expenditures:				
Facilities acquisition	243,862	211,095	290,731	461,344
AEA flowthrough	219,068	201,220	185,711	168,638
Total expenditures	<u>\$ 5,752,647</u>	<u>\$ 5,729,488</u>	<u>\$ 5,671,467</u>	<u>\$ 5,379,375</u>

See accompanying independent auditor's report.

	<u>2006</u>		<u>2005</u>
\$	1,591,318	\$	1,327,471
	192,869		197,809
	306,179		201,871
	-		-
	2,712,146		2,369,276
	<u>124,892</u>		<u>194,018</u>
\$	<u><u>4,927,404</u></u>	\$	<u><u>4,290,445</u></u>
\$	3,298,584	\$	3,139,664
	97,041		85,562
	72,122		173,748
	487,501		466,970
	457,882		394,744
	185,782		239,801
	178,013		3,662
	<u>164,835</u>		<u>154,091</u>
\$	<u><u>4,941,760</u></u>	\$	<u><u>4,658,242</u></u>

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Rural Education	84.358	FY 10	\$ <u>26,946</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	12,384
National School Lunch Program	10.555	FY 10	81,637
National School Lunch Program (non-cash)	10.555	FY 10	<u>16,259</u>
			<u>110,280</u>
U. S. Department of Education: Iowa Department of Education: Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	4689G	33,431
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	7,704
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>38,628</u>
			<u>79,763</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>1,940</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>21,412</u>
Grants for State Assessments and Related Activities	84.369	FY 09	1,950
Grants for State Assessments and Related Activities	84.369	FY 10	<u>1,456</u>
			<u>3,406</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 09	47,279
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>234,441</u>
			<u>281,720</u>
Great Prairie Area Education Agency: Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	29,356
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	16,054
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>53,736</u>
			<u>99,146</u>
Southeastern Community College: Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>5,182</u>
Total			\$ <u><u>629,795</u></u>

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of New London Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2011. 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 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10 and II-D-10 to be significant deficiencies.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about New London Community School District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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
January 10, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of New London Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. New London Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of New London Community School District's management. Our responsibility is to express an opinion on New London Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New London Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on New London Community School District's compliance with those requirements.

In our opinion, New London Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of New London Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered New London Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a significant deficiency.

New London Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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.

Oskaloosa, Iowa
January 10, 2011

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) New London Community School District did not qualify as a low-risk auditee.

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-10 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 \$31,690 of outstanding checks that were not included on the June bank reconciliation. We also noted \$227,576 of unrecorded revenues throughout the year and a final unreconciled difference of \$668. 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. Any differences should be investigated and corrected. This would allow the District to timely detect and correct errors or omissions and would provide an accurate financial picture of the District throughout the year.

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.

II-B-10 Financial Reporting – During the audit, we identified material amounts of revenues, receivables and prepaid expenses 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 revenues, receivables and prepaid expenses are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any revenues, receivables or prepaid expenses.

Conclusion – Response accepted.

II-C-10 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.

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

Internal Control Deficiencies (continued):

II-D-10 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. Meal revenues are being reported under lunch revenue only and not being broken out into breakfast, adult or ala carte revenues.

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

Response – We will consider setting up a deferred revenue account to record meal deposits until the revenue has been earned and then allocating it to the applicable meal revenue category as meals are served each month.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
Federal Award Years: 2009 and 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies and
CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Years: 2009 and 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties – One important aspect of the internal control structure 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.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 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.
- IV-C-10 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.
- IV-D-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ron Boyer, Spouse of Board Secretary	Window blind installation	\$5,340
Greg Lerdal, Golf Coach Owner of Deerwood Golf	Golf fees	1,954

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions do not appear to represent any conflict of interest.

- IV-E-10 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.
- IV-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 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.
- IV-J-10 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 AND QUESTIONED COSTS

Year Ended June 30, 2010

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

- IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance	\$	344,758
Statewide sales and services tax revenue		304,312
Expenditures:		
School infrastructure:		
Equipment		<u>86,756</u>
Ending balance	\$	<u><u>562,314</u></u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Physical plant and equipment levy	\$ 0.44349	\$	37,118
Debt service levy	3.19250		267,194

- IV-M-10 Financial Condition – The General Fund has a negative unreserved, undesignated fund balance of \$124,927. The deficit increased \$118,968 from the prior year.

Recommendation – The District needs to explore alternatives to restore the General Fund to a sound financial condition. For example, the Special Revenue, Management Levy Fund could transfer \$26,750 to the General Fund to reimburse for the property insurance premiums paid, which could have been paid from the Management Levy Fund.

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

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

IV-N-10 Unallowable Expenditures – The Capital Projects Fund paid \$1,200 for golf and green fees, which is not an allowable use of the local option or statewide sales and services tax revenues.

Recommendation – The local option and statewide sales and services revenues can only be spent on the purposes stated in the revenue purpose statement. Golf and green fees are not an allowable expenditure.

Response – We will make sure that all future local option and statewide sales and services tax expenditures comply with the revenue purpose statement and the Code of Iowa. The Special Revenue, Student Activity Fund or the General Fund will pay for these fees in the future.

Conclusion – Response accepted.