

NEW LONDON COMMUNITY SCHOOL DISTRICT
NEW LONDON, IOWA

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

JUNE 30, 2014

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Position	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14-15
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	16
E Statement of Revenues, Expenditures and Changes in Fund Balances	17-18
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19-20
Proprietary Fund Financial Statements:	
G Statement of Fund Net Position	21
H Statement of Revenues, Expenses and Changes in Fund Net Position	22
I Statement of Cash Flows	23-24
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Position	25
K Statement of Changes in Fiduciary Net Position	26
 Notes to Financial Statements	 27-41
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	44
Notes to Required Supplementary Information – Budgetary Reporting	45
Schedule of Funding Progress for the Retiree Health Plan	46
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	48
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	49
Capital Projects Accounts:	
3 Combining Balance Sheet	50
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	51
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	52
6 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	54-55
 INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	 56-57
 SCHEDULE OF FINDINGS	 58-62

NEW LONDON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Laurie Hempen	President	2015
Bob McPheron	Vice President	2013
Lindsay Porter	Board Member	2013
Dennis Carter	Board Member	2015
Travis Benz	Board Member	2015
(After September 2013 election)		
Laurie Hempen	President	2015
Travis Benz	Vice President	2015
Dennis Carter	Board Member	2015
Lindsay Porter	Board Member	2017
Shane Mettler	Board Member	2017
<u>School Officials</u>		
Steve McAllister	Superintendent	2015
Jessica Boyer	District Secretary/Treasurer and Business Manager	2014
Ahlers and Cooney, P.C.	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, New London Iowa, as of and for the year ended June 30, 2014 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2015 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. 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 in considering New London Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
February 2, 2015

Hunt & Associates, P.C.

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Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,937,846	\$ 127,754	\$ 3,065,600
Receivables:			
Property tax:			
Current year	20,644	-	20,644
Succeeding year	1,833,877	-	1,833,877
Income surtax	186,417	-	186,417
Accounts	10,606	-	10,606
Due from other governments	319,631	-	319,631
Inventories	-	966	966
Capital assets, net of accumulated depreciation (note 4)	6,608,621	78,951	6,687,572
Total assets	11,917,642	207,671	12,125,313
Liabilities			
Accounts payable	314,074	4,430	318,504
Salaries and benefits payable	466,463	7,551	474,014
Early retirement payable	30,000	-	30,000
Unearned revenue	-	4,683	4,683
Accrued interest payable	83,191	-	83,191
Long-term liabilities (note 5):			
Portion due within one year:			
General obligation bonds payable	270,000	-	270,000
Revenue bonds payable	195,000	-	195,000
Capital lease purchase agreement	76,774	-	76,774
Compensated absences	13,009	-	13,009
Portion due after one year:			
General obligation bonds payable	245,000	-	245,000
Revenue bonds payable	3,800,000	-	3,800,000
Capital lease purchase agreement	79,289	-	79,289
Net OPEB liability	125,000	-	125,000
Total liabilities	5,697,800	16,664	5,714,464
Deferred Inflows of Resources			
Unavailable property tax revenue	1,833,877	-	1,833,877

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 2,468,587	\$ 78,951	\$ 2,547,538
Restricted for:			
Categorical funding	99,918	-	99,918
Debt service	547,291	-	547,291
Capital projects	299,000	-	299,000
Physical plant and equipment levy purposes	84,192	-	84,192
Management levy purposes	1,614	-	1,614
Student activities	96,425	-	96,425
Public education and recreation levy purposes	200,218	-	200,218
Unrestricted	<u>588,720</u>	<u>112,056</u>	<u>700,776</u>
Total net position	<u>\$ 4,385,965</u>	<u>\$ 191,007</u>	<u>\$ 4,576,972</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 4,384,865	\$ 695,352	\$ 571,548	\$ -
Support services:				
Student	69,738	-	-	-
Instructional staff	133,250	8,680	-	-
Administration	768,314	500	-	-
Operation and maintenance of plant	411,951	395	-	-
Transportation	283,180	37,292	-	-
	<u>1,666,433</u>	<u>46,867</u>	-	-
Other expenditures:				
Facilities acquisition	28,203	-	-	1,452
Long-term debt interest and fiscal charges	165,367	-	-	-
AEA flowthrough	208,130	-	208,130	-
Depreciation (unallocated) *	175,505	-	-	-
	<u>577,205</u>	-	<u>208,130</u>	<u>1,452</u>
Total governmental activities	<u>6,628,503</u>	<u>742,219</u>	<u>779,678</u>	<u>1,452</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,117,965)	\$ -	\$ (3,117,965)
(69,738)	-	(69,738)
(124,570)	-	(124,570)
(767,814)	-	(767,814)
(411,556)	-	(411,556)
(245,888)	-	(245,888)
(1,619,566)	-	(1,619,566)
(26,751)	-	(26,751)
(165,367)	-	(165,367)
-	-	-
(175,505)	-	(175,505)
(367,623)	-	(367,623)
(5,105,154)	-	(5,105,154)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Operation and maintenance of plant	\$ 2,015	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	227,706	87,633	131,119	-
Total business-type activities	229,721	87,633	131,119	-
Total	\$ 6,858,224	\$ 829,852	\$ 910,797	\$ 1,452

General revenues:

Property tax levied for:
 General purposes
 Public education and recreation
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position 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 Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (2,015)	\$ (2,015)
-	(8,954)	(8,954)
-	(10,969)	(10,969)
(5,105,154)	(10,969)	(5,116,123)
\$ 1,462,784	\$ -	\$ 1,462,784
13,886	-	13,886
61,344	-	61,344
198,469	-	198,469
456,536	-	456,536
2,779,494	-	2,779,494
7,313	2	7,315
22,509	-	22,509
5,002,335	2	5,002,337
(102,819)	(10,967)	(113,786)
4,488,784	201,974	4,690,758
\$ 4,385,965	\$ 191,007	\$ 4,576,972

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,195,014	\$ 273,719	\$ 1,122,953	\$ 340,504	\$ 2,932,190
Receivables:					
Property tax:					
Current year	18,019	-	824	1,801	20,644
Succeeding year	1,285,232	275,232	59,508	213,905	1,833,877
Income surtax	144,991	-	41,426	-	186,417
Accounts	9,479	-	-	1,127	10,606
Due from other governments	151,526	-	168,105	-	319,631
 Total assets	 <u>\$ 2,804,261</u>	 <u>\$ 548,951</u>	 <u>\$ 1,392,816</u>	 <u>\$ 557,337</u>	 <u>\$ 5,303,365</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 231,575	\$ -	\$ 67,324	\$ 15,175	\$ 314,074
Salaries and benefits payable	466,463	-	-	-	466,463
Early retirement payable	-	-	-	30,000	30,000
Total liabilities	<u>698,038</u>	<u>-</u>	<u>67,324</u>	<u>45,175</u>	<u>810,537</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,285,232	275,232	59,508	213,905	1,833,877
Other	144,991	-	41,426	-	186,417
Total deferred inflows of resources	<u>1,430,223</u>	<u>275,232</u>	<u>100,934</u>	<u>213,905</u>	<u>2,020,294</u>
Fund balances:					
Restricted for:					
Categorical funding (note 10)	99,918	-	-	-	99,918
Revenue bonds sinking fund	-	273,719	-	-	273,719
Revenue bonds	-	-	354,438	-	354,438
School infrastructure	-	-	668,966	-	668,966
Physical plant and equipment	-	-	201,154	-	201,154
Management levy purposes	-	-	-	1,614	1,614
Student activities	-	-	-	96,425	96,425
Public education and recreation	-	-	-	200,218	200,218
Unassigned	576,082	-	-	-	576,082
Total fund balances	<u>676,000</u>	<u>273,719</u>	<u>1,224,558</u>	<u>298,257</u>	<u>2,472,534</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,804,261</u>	<u>\$ 548,951</u>	<u>\$ 1,392,816</u>	<u>\$ 557,337</u>	<u>\$ 5,303,365</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total fund balances of governmental funds	\$ 2,472,534
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,608,621
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	186,417
The Internal Service Fund is used to charge the costs of the District's Section 125 benefits plan to the governmental funds. The fund net position of the Internal Service Fund is therefore included in governmental activities.	5,656
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(83,191)
Long-term liabilities, including bonds payable, capital lease purchase agreements, compensated absences, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(4,804,072)</u>
Net position of governmental activities	<u>\$ 4,385,965</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, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,493,674	\$ -	\$ 61,294	\$ 134,026	\$ 1,688,994
Tuition	462,495	-	-	-	462,495
Other	166,524	-	1,679	144,890	313,093
State sources	3,394,672	-	456,586	111	3,851,369
Federal sources	163,511	-	-	-	163,511
Total revenues	<u>5,680,876</u>	<u>-</u>	<u>519,559</u>	<u>279,027</u>	<u>6,479,462</u>
Expenditures:					
Current:					
Instruction	4,121,990	-	23,532	174,984	4,320,506
Support services:					
Student	69,062	-	-	-	69,062
Instructional staff	145,929	-	3,912	-	149,841
Administration	615,707	-	82,893	81,724	780,324
Operation and maintenance of plant	404,656	-	10,907	-	415,563
Transportation	243,195	-	58,111	6,949	308,255
	<u>1,478,549</u>	<u>-</u>	<u>155,823</u>	<u>88,673</u>	<u>1,723,045</u>
Other expenditures:					
Facilities acquisition	-	-	172,859	-	172,859
Long term debt:					
Principal	-	244,338	-	-	244,338
Interest and fiscal charges	-	166,027	-	-	166,027
AEA flowthrough	208,130	-	-	-	208,130
	<u>208,130</u>	<u>410,365</u>	<u>172,859</u>	<u>-</u>	<u>791,354</u>
Total expenditures	<u>5,808,669</u>	<u>410,365</u>	<u>352,214</u>	<u>263,657</u>	<u>6,834,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(127,793)</u>	<u>(410,365)</u>	<u>167,345</u>	<u>15,370</u>	<u>(355,443)</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
General obligation bonds issued	\$ -	- \$ 433,665	\$ 515,000	\$ -	\$ 515,000
Interfund transfers in (note 3)	-	433,665	-	-	433,665
Interfund transfers out (note 3)	-	-	(433,665)	-	(433,665)
Total other financing sources (uses)	<u>-</u>	<u>433,665</u>	<u>81,335</u>	<u>-</u>	<u>515,000</u>
Net change in fund balances	(127,793)	23,300	248,680	15,370	159,557
Fund balances beginning of year	<u>803,793</u>	<u>250,419</u>	<u>975,878</u>	<u>282,887</u>	<u>2,312,977</u>
Fund balances end of year	<u>\$ 676,000</u>	<u>\$ 273,719</u>	<u>\$ 1,224,558</u>	<u>\$ 298,257</u>	<u>\$ 2,472,534</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, 2014

Net change in fund balances - total governmental funds \$ 159,557

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 Activities 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 current year are as follows:

Capital outlays	\$ 265,165	
Depreciation expense	<u>(252,111)</u>	13,054

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 46,222

The change in fund net position 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. (24,869)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (515,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 244,338

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 660

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, 2014

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 \$	(1,781)	
	Net OPEB liability	<u>(25,000)</u>	\$ <u>(26,781)</u>
Change in net position of governmental activities			\$ <u><u>(102,819)</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Assets		
Cash and cash equivalents	\$ 127,754	\$ 5,656
Inventories	966	-
Capital assets, net of accumulated depreciation (note 4)	78,951	-
Total assets	<u>207,671</u>	<u>5,656</u>
Liabilities		
Accounts payable	4,430	-
Salaries and benefits payable	7,551	-
Unearned revenue	4,683	-
Total liabilities	<u>16,664</u>	<u>-</u>
Fund Net Position		
Net investment in capital assets	78,951	-
Unrestricted	<u>112,056</u>	<u>5,656</u>
Total fund net position	<u>\$ 191,007</u>	<u>\$ 5,656</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 87,633	\$ 459,958
Operating expenses:		
Support services:		
Operation and maintenance of plant	2,015	-
Non-instructional programs	227,706	484,827
Total operating expenses	<u>229,721</u>	<u>484,827</u>
Operating loss	(142,088)	(24,869)
Non-operating revenues:		
Interest on investments	2	-
State sources	2,017	-
Federal sources	129,102	-
Total non-operating revenues	<u>131,121</u>	<u>-</u>
Change in fund net position	(10,967)	(24,869)
Fund net position beginning of year	<u>201,974</u>	<u>30,525</u>
Fund net position end of year	<u>\$ 191,007</u>	<u>\$ 5,656</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 90,824	\$ -
Cash received from miscellaneous operating activities	895	459,958
Cash payments to employees for services	(83,956)	-
Cash payments to suppliers for goods or services	(111,502)	(484,827)
Net cash used by operating activities	<u>(103,739)</u>	<u>(24,869)</u>
Cash flows from non-capital financing activities:		
State grants received	2,017	-
Federal grants received	110,094	-
Net cash provided by non-capital financing activities	<u>112,111</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(10,557)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2</u>	<u>-</u>
Net decrease in cash and cash equivalents	(2,183)	(24,869)
Cash and cash equivalents beginning of year	<u>129,937</u>	<u>30,525</u>
Cash and cash equivalents end of year	<u>\$ 127,754</u>	<u>\$ 5,656</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (142,088)	\$ (24,869)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	9,476	-
Commodities used	19,008	-
Decrease in interfund receivable	2,367	-
Decrease in inventories	53	-
Increase in accounts payable	4,257	-
Increase in salaries and benefits payable	1,469	-
Increase in unearned revenue	<u>1,719</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (103,739)</u>	<u>\$ (24,869)</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$19,008 of federal commodities.

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>25,946</u>
Liabilities:	
Accounts payable	<u>1,000</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>24,946</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 5,495	
Interest	<u>87</u>	
Total additions	<u>5,582</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>1,500</u>
Change in fiduciary net position	4,082	
Fiduciary net position beginning of year		<u>20,864</u>
Fiduciary net position end of year	\$	<u><u>24,946</u></u>
See notes to financial statements.		

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 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 government-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 main 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 Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

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 position and changes in net position. 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, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-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 District 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 the 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 position 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances, in that order.

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 funds are 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, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources 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 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 receivable is recognized in the governmental 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 government-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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2014 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 inflows of resources on the modified accrual basis for the governmental funds. For the government-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, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources 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 government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

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 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 expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term Liabilities – In the government-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 Position.

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 government-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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available.

Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2014, expenditures/expenses exceeded the amounts budgeted in the instruction, support services, and non-instructional programs functions.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 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 ensure 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, 2014

Note 2. Cash and Pooled Investments (continued)

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>1,198,361</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 AAAm by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>433,665</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 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	11,855	153,194	-	165,049
Total capital assets not being depreciated	<u>59,556</u>	<u>153,194</u>	<u>-</u>	<u>212,750</u>
Capital assets being depreciated:				
Buildings	7,872,074	-	-	7,872,074
Improvements other than buildings	231,861	-	-	231,861
Furniture and equipment	1,462,141	111,971	-	1,574,112
Total capital assets being depreciated	<u>9,566,076</u>	<u>111,971</u>	<u>-</u>	<u>9,678,047</u>
Less accumulated depreciation for:				
Buildings	1,897,978	149,204	-	2,047,182
Improvements other than buildings	191,740	2,866	-	194,606
Furniture and equipment	940,347	100,041	-	1,040,388
Total accumulated depreciation	<u>3,030,065</u>	<u>252,111</u>	<u>-</u>	<u>3,282,176</u>
Total capital assets being depreciated, net	<u>6,536,011</u>	<u>(140,140)</u>	<u>-</u>	<u>6,395,871</u>
Governmental activities capital assets, net	<u>\$ 6,595,567</u>	<u>\$ 13,054</u>	<u>\$ -</u>	<u>\$ 6,608,621</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 138,437	\$ 10,557	\$ -	\$ 148,994
Less accumulated depreciation	60,567	9,476	-	70,043
Business-type activities capital assets, net	<u>\$ 77,870</u>	<u>\$ 1,081</u>	<u>\$ -</u>	<u>\$ 78,951</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction \$ 35,194

Support services:

Instructional staff 1,896

Administration 2,396

Operation and maintenance of plant 4,084

Transportation 33,036

76,606

Unallocated depreciation 175,505

Total depreciation expense - governmental activities \$ 252,111

Business-type activities:

Food service operations \$ 9,476

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Bonds	Revenue Bonds	Capital Lease Purchase Agreement	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	\$ 4,165,000	\$ 230,401	\$ 11,228	\$ 100,000	\$ 4,506,629
Additions	515,000	-	-	13,009	25,000	553,009
Reductions	-	170,000	74,338	11,228	-	255,566
Balance end of year	<u>\$ 515,000</u>	<u>\$ 3,995,000</u>	<u>\$ 156,063</u>	<u>\$ 13,009</u>	<u>\$ 125,000</u>	<u>\$ 4,804,072</u>
Due within one year	<u>\$ 270,000</u>	<u>\$ 195,000</u>	<u>\$ 76,774</u>	<u>\$ 13,009</u>	<u>\$ -</u>	<u>\$ 554,783</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of contracted 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 will be paid into a 403(b) plan.

At June 30, 2014, the District has obligations to two participants with a total liability of \$30,000. The cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Fund in the fund financial statements and as a liability of the Governmental Activities in the government-wide financial statements.

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	0.65 %	\$ 270,000	\$ 5,232	\$ 275,232
2016	0.80	245,000	1,960	246,960
		<u>\$ 515,000</u>	<u>\$ 7,192</u>	<u>\$ 522,192</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2014 school infrastructure sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.00 %	\$ 195,000	\$ 154,513	\$ 349,513
2016	3.00	200,000	148,587	348,587
2017	3.00	205,000	142,513	347,513
2018	4.00	215,000	135,137	350,137
2019	4.00	220,000	126,438	346,438
2020	4.00	225,000	117,537	342,537
2021	4.00	235,000	108,338	343,338
2022	4.00	240,000	98,837	338,837
2023	4.00	250,000	89,038	339,038
2024	4.00	255,000	78,937	333,937
2025	4.00	265,000	68,538	333,538
2026	4.10	275,000	57,600	332,600
2027	4.25	285,000	45,906	330,906
2028	4.25	295,000	33,581	328,581
2029	4.25	310,000	20,725	330,725
2030	4.35	325,000	7,069	332,069
		<u>\$ 3,995,000</u>	<u>\$ 1,433,294</u>	<u>\$ 5,428,294</u>

The District pledged future statewide sales, services and use tax revenues to repay the \$4,285,000 bonds issued in April 2011. The bonds were issued for the purpose of financing a portion of the costs of various school building improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 75 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,428,294. For the current year, principal of \$170,000 and interest of \$159,137 was paid on the bonds and total statewide sales, services and use tax revenues were \$456,536.

The resolution providing for the issuance of the school infrastructures sales, services and use tax revenue bonds includes the following provisions:

- (a) \$354,438 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

- (b) All proceeds from the statewide sales, services and use tax shall be placed in a Reserve Fund.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Capital Lease Purchase Agreement

During the year ended June 30, 2012, the District entered into a capital lease purchase agreement for \$302,381 to purchase computers, computer equipment, and related maintenance agreements. The agreement provides for semi-annual payments of \$40,613.56 every July 15 and January 15 through January 15, 2016 and includes interest at 3.25%.

Details of the District's June 30, 2014 capital lease purchase agreement indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 76,774	\$ 4,453	\$ 81,227
2016	79,289	1,938	81,227
	<u>\$ 156,063</u>	<u>\$ 6,391</u>	<u>\$ 162,454</u>

Total payments on capital lease purchase agreements for the year ended June 30, 2014 were \$81,227.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 37 active and 9 retired members in the plan. Retired 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.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 40,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(10,000)</u>
Annual OPEB cost	33,000
Contributions made	<u>(8,000)</u>
Increase in net OPEB obligation	25,000
Net OPEB obligation beginning of year	<u>100,000</u>
Net OPEB obligation end of year	<u><u>\$ 125,000</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, 2014.

For the year ended June 30, 2014, the District contributed \$8,000 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 are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 29,000	10.3%	\$ 74,000
2013	38,000	31.6%	100,000
2014	33,000	24.2%	125,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$222,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$222,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,193,000, and the ratio of the UAAL to covered payroll was 10.1%. As of June 30, 2014, there were no trust fund assets.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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.

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, 2012 actuarial valuation date, the 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, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$298,164, \$281,693, and \$267,094, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 \$208,130 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 4,596
Returning dropouts and dropout prevention programs	40,951
Beginning teacher mentoring and induction	3,840
Teacher salary supplement	8,535
Market factor	4,076
Successful progression for early readers	15,942
Professional development for model core curriculum	18,051
Market factor incentives	1,919
Teacher leadership grants	<u>2,008</u>
Total	<u>\$ 99,918</u>

Note 11. Construction Commitments

The District has entered into a contract totaling \$441,642 for a school remodeling project. As of June 30, 2014, costs of \$65,097 had been incurred against the contract. The balance of \$376,545 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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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, 2014

	Governmental Funds - Actual	Proprietary Fund - Enterprise- Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 2,464,582	\$ 87,635	\$ 2,552,217	\$ 2,917,446	\$ (365,229)
State sources	3,851,369	2,017	3,853,386	3,265,655	587,731
Federal sources	163,511	129,102	292,613	275,000	17,613
Total revenues	6,479,462	218,754	6,698,216	6,458,101	240,115
EXPENDITURES/EXPENSES:					
Instruction	4,320,506	-	4,320,506	4,087,946	(232,560)
Support services	1,723,045	2,015	1,725,060	1,517,358	(207,702)
Non-instructional programs	-	227,706	227,706	200,000	(27,706)
Other expenditures	791,354	-	791,354	1,111,059	319,705
Total expenditures/expenses	6,834,905	229,721	7,064,626	6,916,363	(148,263)
Excess (deficiency) of revenues over (under) expenditures/expenses	(355,443)	(10,967)	(366,410)	(458,262)	91,852
Other financing sources, net	515,000	-	515,000	435,165	79,835
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	159,557	(10,967)	148,590	(23,097)	171,687
Balance beginning of year	2,312,977	201,974	2,514,951	2,159,552	355,399
Balance end of year	<u>\$ 2,472,534</u>	<u>\$ 191,007</u>	<u>\$ 2,663,541</u>	<u>\$ 2,136,455</u>	<u>\$ 527,086</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2014

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses 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, 2014, expenditures/expenses in the instruction, support services and non-instructional programs functions exceeded 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, 2014

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%
2011	July 1, 2009	-	202	202	0.0%	2,597	7.8%
2012	July 1, 2009	-	187	187	0.0%	1,999	9.4%
2013	July 1, 2012	-	236	236	0.0%	2,123	11.1%
2014	July 1, 2012	-	222	222	0.0%	2,193	10.1%

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.

See accompanying independent auditor's report.

Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	Total
Assets				
Cash and pooled investments	\$ 32,040	\$ 108,433	\$ 200,031	\$ 340,504
Receivables:				
Property tax:				
Current year	1,614	-	187	1,801
Succeeding year	200,000	-	13,905	213,905
Accounts	-	1,127	-	1,127
Total assets	\$ 233,654	\$ 109,560	\$ 214,123	\$ 557,337
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,040	\$ 13,135	\$ -	\$ 15,175
Early retirement payable	30,000	-	-	30,000
Total liabilities	32,040	13,135	-	45,175
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	200,000	-	13,905	213,905
Fund balances:				
Restricted for:				
Management levy purposes	1,614	-	-	1,614
Student activities	-	96,425	-	96,425
Public education and recreation	-	-	200,218	200,218
Total fund balances	1,614	96,425	200,218	298,257
Total liabilities, deferred inflows of resources and fund balances	\$ 233,654	\$ 109,560	\$ 214,123	\$ 557,337

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, 2014

	Special Revenue			Total
	Management Levy	Student Activity	Public Education and Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 120,152	\$ -	\$ 13,874	\$ 134,026
Other	2,597	139,366	2,927	144,890
State sources	99	-	12	111
Total revenues	122,848	139,366	16,813	279,027
Expenditures:				
Current:				
Instruction	47,875	127,109	-	174,984
Support services:				
Administration	81,724	-	-	81,724
Transportation	6,949	-	-	6,949
Total expenditures	136,548	127,109	-	263,657
Excess (deficiency) of revenues over (under) expenditures	(13,700)	12,257	16,813	15,370
Fund balances beginning of year	15,314	84,168	183,405	282,887
Fund balances end of year	\$ 1,614	\$ 96,425	\$ 200,218	\$ 298,257

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 487,560	\$ 200,330	\$ 435,063	\$ 1,122,953
Receivables:				
Property tax:				
Current year	-	824	-	824
Succeeding year	-	59,508	-	59,508
Income surtax	-	41,426	-	41,426
Due from other governments	168,105	-	-	168,105
 Total assets	 \$ 655,665	\$ 302,088	\$ 435,063	\$ 1,392,816
 Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,227	\$ -	\$ 65,097	\$ 67,324
 Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	59,508	-	59,508
Other	-	41,426	-	41,426
	-	100,934	-	100,934
 Fund balances:				
Restricted for:				
Revenue bonds	354,438	-	-	354,438
School infrastructure	299,000	-	369,966	668,966
Physical plant and equipment	-	201,154	-	201,154
Total fund balances	653,438	201,154	369,966	1,224,558
 Total liabilities, deferred inflows of resources and fund balances	 \$ 655,665	\$ 302,088	\$ 435,063	\$ 1,392,816

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 61,294	\$ -	\$ 61,294
Other	1,677	2	-	1,679
State sources	456,536	50	-	456,586
Total revenues	<u>458,213</u>	<u>61,346</u>	-	<u>519,559</u>
Expenditures:				
Current:				
Instruction	14,046	9,486	-	23,532
Support services:				
Instructional staff	-	3,912	-	3,912
Administration	4,956	-	77,937	82,893
Operation and maintenance of plant	10,907	-	-	10,907
Transportation	58,111	-	-	58,111
Other expenditures:				
Facilities acquisition	105,762	-	67,097	172,859
Total expenditures	<u>193,782</u>	<u>13,398</u>	<u>145,034</u>	<u>352,214</u>
Excess (deficiency) of revenues over (under) expenditures	264,431	47,948	(145,034)	167,345
Other financing sources (uses):				
General obligation bonds issued	-	-	515,000	515,000
Interfund transfers out	(352,438)	(81,227)	-	(433,665)
Total other financing sources (uses)	<u>(352,438)</u>	<u>(81,227)</u>	<u>515,000</u>	<u>81,335</u>
Net change in fund balances	(88,007)	(33,279)	369,966	248,680
Fund balances beginning of year	<u>741,445</u>	<u>234,433</u>	-	<u>975,878</u>
Fund balances end of year	<u>\$ 653,438</u>	<u>\$ 201,154</u>	<u>\$ 369,966</u>	<u>\$ 1,224,558</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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 525	\$ 69,808	\$ 60,246	\$ 10,087
Classes of 2011-2017	2,181	4,049	4,997	1,233
Masqued Tigers	3,421	913	1,884	2,450
Instrumental Music	834	2,208	2,771	271
Student Council	5,542	6,435	10,481	1,496
Elementary Student Advisory Council	8,954	4,168	7,278	5,844
Elementary Science Fair	1,782	900	281	2,401
Yearbook	6,587	6,211	4,646	8,152
Middle School Student Council	2,938	1,329	675	3,592
High School Cheerleaders	2,563	4,674	2,603	4,634
High School Vocal Music	1,096	495	761	830
Interest on Investments	3,362	3	-	3,365
Sixth Grade Projects	7,128	3,391	1,875	8,644
Playground	746	-	-	746
Boys Basketball	3,335	1,719	1,838	3,216
Middle School Volleyball	250	-	-	250
Tiger Football	162	5,813	2,384	3,591
Tiger Wrestling	1,326	3,478	2,711	2,093
Tiger Girls Basketball	9,418	2,850	1,691	10,577
Tiger Volleyball	1,409	3,126	2,979	1,556
Tiger Softball	4,657	6,750	5,607	5,800
Tiger Baseball	4,099	3,936	5,451	2,584
MS Baseball	14	390	242	162
Boys Track	536	255	1,061	(270)
MS Boys Basketball	-	3,314	2,227	1,087
High School Boys Golf	1,111	-	49	1,062
New London Tigerettes	7,656	1,187	1,249	7,594
MS Softball	759	165	211	713
High School Girls Golf	852	-	407	445
Clark Cards	369	-	-	369
Jump Rope for Heart	556	1,562	275	1,843
National Honor Society	-	237	229	8
Total	\$ 84,168	\$ 139,366	\$ 127,109	\$ 96,425

See accompanying independent auditor's report.

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NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 1,688,994	\$ 2,316,883	\$ 2,135,902	\$ 2,060,922
Tuition	462,495	472,768	532,166	356,282
Other	313,093	297,131	299,149	263,928
Intermediate sources	-	10,000	-	-
State sources	3,851,369	3,107,053	3,361,588	3,035,948
Federal sources	163,511	232,752	772,125	310,036
Total revenues	\$ 6,479,462	\$ 6,436,587	\$ 7,100,930	\$ 6,027,116
Expenditures:				
Instruction	\$ 4,320,506	\$ 4,092,755	\$ 4,371,420	\$ 3,929,750
Support services:				
Student	69,062	88,028	85,222	89,736
Instructional staff	149,841	125,888	155,995	260,936
Administration	780,324	637,756	573,873	532,545
Operation and maintenance of plant	415,563	386,888	331,006	348,020
Transportation	308,255	301,049	222,375	205,972
Other expenditures:				
Facilities acquisition	172,859	1,177,552	3,056,404	710,188
Long-term debt:				
Principal	244,338	191,980	-	-
Interest and fiscal charges	166,027	171,285	122,428	89,415
AEA flowthrough	208,130	200,350	202,238	220,536
Total expenditures	\$ 6,834,905	\$ 7,373,531	\$ 9,120,961	\$ 6,387,098

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	1,864,615	\$ 1,804,112	\$ 1,707,429	\$ 1,656,080	\$ 1,591,318	\$ 1,327,471
	311,495	303,108	260,611	170,869	192,869	197,809
	277,414	376,144	441,751	331,331	306,179	201,871
	-	176	-	-	-	-
	2,807,933	3,274,593	3,085,211	2,751,262	2,712,146	2,369,276
	552,407	203,607	237,343	220,729	124,892	194,018
\$	<u>5,813,864</u>	<u>5,961,740</u>	<u>5,732,345</u>	<u>5,130,271</u>	<u>4,927,404</u>	<u>4,290,445</u>
\$	3,985,085	\$ 3,885,220	\$ 3,726,013	\$ 3,388,690	\$ 3,298,584	\$ 3,139,664
	57,839	111,955	110,834	101,376	97,041	85,562
	129,400	106,071	114,442	110,957	72,122	173,748
	540,313	556,546	594,899	513,020	487,501	466,970
	340,327	386,326	383,841	419,060	457,882	394,744
	236,753	271,055	264,996	216,290	185,782	239,801
	243,862	211,095	290,731	461,344	178,013	3,662
	-	-	-	-	-	-
	-	-	-	-	-	-
	219,068	201,220	185,711	168,638	164,835	154,091
\$	<u>5,752,647</u>	<u>5,729,488</u>	<u>5,671,467</u>	<u>5,379,375</u>	<u>4,941,760</u>	<u>4,658,242</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE 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 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 Chapter 11 of the Code of Iowa, the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New London Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and 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 a 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14, I-C-14 and I-D-14 to be significant deficiencies.

Compliance

As part of obtaining reasonable assurance about whether New London Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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

New London Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. New London Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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 2, 2015

Hunt + Associates, P.C.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-14 Bank Reconciliation – We noted that bank reconciliations were prepared for each bank account but were not always accurately prepared and the differences were not investigated and corrected. This can lead to posting errors remaining undetected and unrecorded transactions. We noted that the outstanding checks were added on the bank reconciliation when they should have been subtracted and that the reconciliation included non-cash items, such as accrued payroll. We also noted a final unreconciled difference of \$15,970.

Recommendation – All bank accounts should be accurately reconciled and tied to the general ledger cash account 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 accurate and reliable financial information of the District throughout the year for the Board of Education’s management decisions.

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

Conclusion – Response accepted.

I-B-14 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-C-14 Check Dating – We noted \$136,120 of checks for accounts payable that were written in July 2014 but were dated back to June 30, 2014. An adjustment was necessary to reflect the proper balances on the District’s financial statements.

Recommendation – This practice understates cash and accounts payable. All checks should be dated the day they are written.

Response – This was inadvertently done as a result of business office turnover. We will properly record and date checks in the future.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

Internal Control Deficiencies (continued):

I-D-14 Disbursements – Out of forty disbursements tested, two were not fully supported by an invoice, receipt, or other written documentation at the time of payment.

Recommendation – All disbursements should be fully supported by an invoice, receipt or other written documentation prior to their being paid.

Response – We will make sure that all future disbursements are properly supported by an invoice, receipt, or other documentation prior to the disbursement being paid.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amounts budgeted in the instruction, support services, and non-instructional programs functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures/expenses were allowed to exceed the budget.

Response – We will amend our budget in sufficient amounts before expenditures/expenses exceed the budget in the future.

Conclusion – Response accepted.

II-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-14 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-14 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>
Bryant Porter, Spouse of Board Member	Assistant basketball coach	\$2,551
Greg Lerdal, Golf Coach Owner of Deerwood Golf	Golf fees/supplies	\$1,700
Ron Boyer, Spouse of Board Secretary Owner of Boyer’s Home Improvement	Maintenance/repairs work	\$8,687
Mark Scott, Spouse of Teacher Owner of Ebert Supply	Supplies	\$850
Paul Lorber, Son of Athletic Director	Officiating	\$1,073
Greg Lorber, Son of Athletic Director	Officiating	\$150

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

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

- II-E-14 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 ensure that the coverage is adequate for current operations.
- II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for the fall of 2013 was overstated by 0.93 due to three courses that were short of accreditation.
- Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Iowa Department of Management.
- Conclusion – Response accepted.
- II-I-14 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-J-14 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.
- II-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

- II-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	741,445
Revenues:			
Interest	\$	1,677	
Statewide sales, services and use tax		<u>456,536</u>	458,213
Expenditures/transfers out:			
School infrastructure construction		102,137	
Equipment		83,145	
Other		8,500	
Transfers to other funds:			
Debt Service Fund		<u>352,438</u>	<u>546,220</u>
Ending balance		\$	<u><u>653,438</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.