

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
*(Audited)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010***

**GINA BLACKMAN, TREASURER**





# Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST  
Auditor of State

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Mary Taylor, CPA  
Auditor of State

Board of Education  
New London Local School District  
2 Wildcat Drive  
New London, Ohio 44851

We have reviewed the *Independent Auditor's Report* of the New London Local School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 28, 2010

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**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Board of Education  
New London Local School District  
2 Wildcat Drive  
New London, Ohio 44851

To the Members of the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New London Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the New London Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the New London Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New London Local School District, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General Fund and major Special Revenue Fund: Classroom Facilities Maintenance for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2010 on our consideration of the New London Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.



Independent Auditor's Report  
New London Local School District  
Page Two

We conducted our audit to opine on the financial statements that collectively comprise the New London Local School District's basic financial statements. The schedule of receipts and expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected the schedule of receipts and expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 9, 2010

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the New London Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities decreased \$416,774 which represents a 2.99% decrease from 2009.
- General revenues accounted for \$8,708,264 in revenue or 80.79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,070,003 or 19.21% of total revenues of \$10,778,267.
- The District had \$11,195,041 in expenses related to governmental activities; \$2,070,003 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,708,264 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities maintenance fund. The general fund had \$8,794,601 in revenues and \$8,656,356 in expenditures. During fiscal year 2010, the general fund's fund balance increased \$138,245 from \$1,426,912 to \$1,565,157.
- The classroom facilities maintenance fund had \$82,362 in revenues and \$98,295 in expenditures. During fiscal year 2010, the classroom facilities maintenance fund's fund balance decreased \$15,933 from \$670,064 to \$654,131.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and classroom facilities maintenance fund are by far the most significant funds and the only governmental funds reported as major funds.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities maintenance fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets for fiscal year 2010 and 2009.

	<b>Net Assets</b>	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 6,299,915	\$ 6,096,796
Capital assets, net	<u>13,397,073</u>	<u>14,112,313</u>
Total assets	<u>19,696,988</u>	<u>20,209,109</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,053,728	2,941,478
Long-term liabilities	<u>3,132,740</u>	<u>3,340,337</u>
Total liabilities	<u>6,186,468</u>	<u>6,281,815</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	11,061,635	11,633,021
Restricted	1,316,357	1,346,208
Unrestricted	<u>1,132,528</u>	<u>948,065</u>
Total net assets	<u>\$ 13,510,520</u>	<u>\$ 13,927,294</u>

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

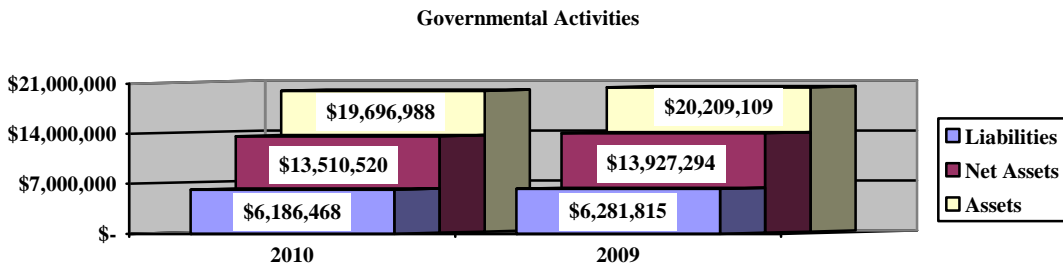
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$13,510,520. Of this total, \$1,132,528 is unrestricted in use.

At year-end, capital assets represented 68.02% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$11,061,635. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,316,357, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,132,528 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2010 and 2009:



The table below shows the change in net assets for fiscal years 2010 and 2009.

	<b>Change in Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 732,793	\$ 793,958
Operating grants and contributions	1,337,210	1,212,384
Capital grants and contributions	-	11,797
General revenues:		
Property taxes	2,163,024	2,179,259
School district income tax	899,384	938,743
Grants and entitlements	5,593,758	5,435,889
Investment earnings	29,651	42,185
Other	22,447	28,533
<b>Total revenues</b>	<b><u>10,778,267</u></b>	<b><u>10,642,748</u></b>

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Change in Net Assets**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,475,496	\$ 5,285,753
Special	1,020,643	1,065,220
Vocational	360,515	373,773
Adult/continuing	19,880	15,532
Other	12,954	73,626
Support services:		
Pupil	290,754	297,905
Instructional staff	618,053	544,137
Board of education	18,485	10,364
Administration	736,746	799,598
Fiscal	244,464	255,652
Business	10,014	4,621
Operations and maintenance	912,623	870,221
Pupil transportation	519,221	544,531
Operation of non-instructional services:		
Operations of other non-instructional services	3,696	303
Food service operations	389,811	388,111
Extracurricular activities	428,893	369,729
Interest and fiscal charges	<u>132,793</u>	<u>124,307</u>
Total expenses	<u>11,195,041</u>	<u>11,023,383</u>
Change in net assets	(416,774)	(380,635)
Net assets at beginning of year	<u>13,927,294</u>	<u>14,307,929</u>
Net assets at end of year	<u>\$ 13,510,520</u>	<u>\$ 13,927,294</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$416,774. Total governmental expenses of \$11,195,041 were offset by program revenues of \$2,070,003, and general revenues of \$8,708,264. Program revenues supported 18.49% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 80.31% of total governmental revenue.

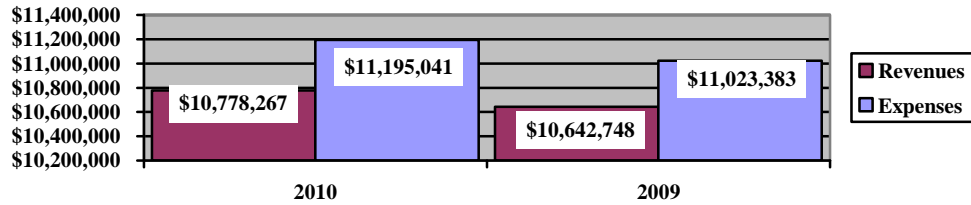
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,889,488 or 61.54% of total governmental expenses for fiscal year 2010.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 or 2009.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,475,496	\$ 4,771,876	\$ 5,285,753	\$ 4,703,087
Special	1,020,643	681,932	1,065,220	355,058
Vocational	360,515	305,733	373,773	316,546
Adult/continuing	19,880	19,880	15,532	15,529
Other	12,954	713	73,626	73,626
Support services:				
Pupil	290,754	281,280	297,905	294,195
Instructional staff	618,053	483,148	544,137	471,969
Board of education	18,485	18,485	10,364	10,364
Administration	736,746	678,835	799,598	788,029
Fiscal	244,464	243,363	255,652	254,532
Business	10,014	3,218	4,621	2,567
Operations and maintenance	912,623	741,176	870,221	859,434
Pupil transportation	519,221	493,106	544,531	532,734
Operations of non-instructional services:				
Other non-instructional services	3,696	2,220	303	62
Food service operations	389,811	1,360	388,111	7,707
Extracurricular activities	428,893	265,920	369,729	195,498
Interest and fiscal charges	132,793	132,793	124,307	124,307
<b>Total expenses</b>	<b><u>\$ 11,195,041</u></b>	<b><u>\$ 9,125,038</u></b>	<b><u>\$ 11,023,383</u></b>	<b><u>\$ 9,005,244</u></b>

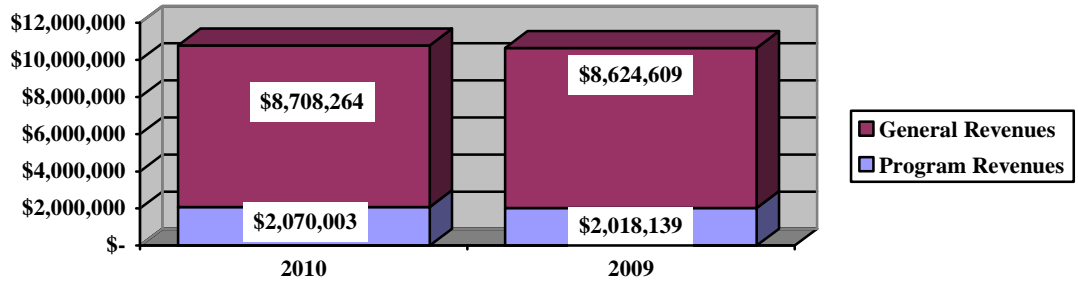
The dependence upon tax and other general revenues for governmental activities is apparent, 83.90% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.51%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009:

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,855,081, which is higher than last year's total of \$2,758,659. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	<u>Fund Balance</u> <u>June 30, 2010</u>	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
General	\$ 1,565,157	\$ 1,426,912	\$ 138,245	9.69 %
Classroom facilities maintenance	654,131	670,064	(15,933)	(2.38) %
Other governmental	<u>635,793</u>	<u>661,683</u>	<u>(25,890)</u>	(3.91) %
Total	<u>\$ 2,855,081</u>	<u>\$ 2,758,659</u>	<u>\$ 96,422</u>	3.50 %

**General Fund**

The District's general fund balance increased \$138,245. In fiscal year 2010, taxes and earnings on investments decreased from 2009, however the District saw a decrease in expenditures for instructional programs which is the District's largest expenditure line item, and also a decrease in support services.



**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,782,333	\$ 2,825,591	\$ (43,258)	(1.53) %
Earnings on investments	31,066	37,134	(6,068)	(16.34) %
Intergovernmental	5,594,133	5,796,429	(202,296)	(3.49) %
Other revenues	<u>387,069</u>	<u>418,698</u>	<u>(31,629)</u>	(7.55) %
Total	<u>\$ 8,794,601</u>	<u>\$ 9,077,852</u>	<u>\$ (283,251)</u>	(3.12) %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,529,294	\$ 5,672,016	\$ (142,722)	(2.52) %
Support services	2,820,679	3,154,912	(334,233)	(10.59) %
Extracurricular activities	257,817	199,184	58,633	29.44 %
Facilities acquisition and construction	2,800	11,843	(9,043)	(76.36) %
Capital outlay	-	58,389	(58,389)	(100.00) %
Debt service	<u>45,766</u>	<u>46,043</u>	<u>(277)</u>	(0.60) %
Total	<u>\$ 8,656,356</u>	<u>\$ 9,142,387</u>	<u>\$ (486,031)</u>	(5.32) %

The largest percentage change in revenues from fiscal 2009 to fiscal 2010 was earnings on investments. This was due to a decrease in the interest rate of investments held by the District. The most significant changes in the expenditures were support services and construction and capital outlay. Support services decreased due to more efficient operations by the District. Capital outlay decreased as the District entered into new capital leases during fiscal 2009.

***Classroom Facilities Maintenance Fund***

The classroom facilities maintenance fund had \$82,362 in revenues and \$98,295 in expenditures. During fiscal year 2010, the classroom facilities maintenance fund's fund balance decreased 15,933 from \$670,064 to \$654,131.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2010, the District did not amend its general fund budgeted revenues. The original and final budgeted revenues and other financing sources were \$9,268,939. Actual revenues and other financing sources for fiscal 2010 was \$8,775,319. This represents a \$493,620 decrease over final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) totaled \$9,098,041 and \$9,098,036, respectively. The actual budget basis expenditures for fiscal year 2010 totaled \$8,762,518, which was \$335,518 less than the final budget appropriations.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2010, the District had \$13,397,073 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2010 balances compared to 2009:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2010	2009
Land	\$ 285,043	\$ 285,043
Land improvements	786,508	835,278
Building and improvements	11,714,304	12,281,593
Furniture and equipment	440,725	501,407
Vehicles	170,493	208,992
Total	\$ 13,397,073	\$ 14,112,313

The overall decrease in capital assets of \$715,240 is due to depreciation expense of \$756,540 exceeding capital outlay of \$41,300 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2010, the District had \$2,384,881 in general obligation bonds and \$69,223 in capital leases outstanding. Of this total, \$212,032 is due within one year and \$2,242,072 is due in greater than one year. The following table summarizes the bonds, loans and capital leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2010	2009
General obligation bonds	\$ 2,384,881	\$ 2,507,750
Capital leases	69,223	108,509
Total	\$ 2,454,104	\$ 2,616,259

At June 30, 2010, the District's overall legal debt margin was \$7,243,818, and an unvoted debt margin of \$100,584.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Current Financial Related Activities**

The District continues to be fiscally careful due to the current economy. The District's income tax continues to be an integral part of the District's revenue stream, accounting for \$899,384 in revenues for the fiscal year ended 2010.

For 2010, the District received an effective rating on its report card. Even though the District resources are limited, we have made good use of those resources and have found success.

For 2011, we continue to provide quality education with limited resources. We continue to evaluate our five year forecast and develop strategies for the years ahead of us.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Gina Blackman, Treasurer, New London Local School District, 2 Wildcat Drive, New London, Ohio 44851-1299.

**BASIC  
FINANCIAL STATEMENTS**

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,418,884
Cash with fiscal agent . . . . .	5,525
Receivables:	
Taxes . . . . .	2,717,561
Accounts. . . . .	10,154
Accrued interest . . . . .	1,120
Intergovernmental . . . . .	59,455
Materials and supplies inventory. . . . .	16,125
Unamortized bond issue costs . . . . .	71,091
Capital assets:	
Land . . . . .	285,043
Depreciable capital assets, net. . . . .	13,112,030
Capital assets, net . . . . .	13,397,073
 Total assets. . . . .	 19,696,988
 <b>Liabilities:</b>	
Accounts payable. . . . .	25,372
Accrued wages and benefits . . . . .	865,277
Pension obligation payable. . . . .	223,629
Intergovernmental . . . . .	36,774
Unearned revenue . . . . .	1,897,462
Accrued interest payable . . . . .	5,214
Long-term liabilities:	
Due within one year. . . . .	301,686
Due in more than one year . . . . .	2,831,054
 Total liabilities . . . . .	 6,186,468
 <b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	11,061,635
Restricted for:	
Debt service. . . . .	405,534
Federally funded programs . . . . .	14,204
Student activities . . . . .	94,332
Public school support . . . . .	10,877
Classroom facilities maintenance . . . . .	658,490
Other purposes . . . . .	132,920
Unrestricted . . . . .	1,132,528
 Total net assets . . . . .	 \$ 13,510,520

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,475,496	\$ 414,053	\$ 289,567	\$ (4,771,876)
Special . . . . .	1,020,643	3,322	335,389	(681,932)
Vocational . . . . .	360,515	-	54,782	(305,733)
Adult/continuing . . . . .	19,880	-	-	(19,880)
Other . . . . .	12,954	-	12,241	(713)
Support services:				
Pupil . . . . .	290,754	-	9,474	(281,280)
Instructional staff . . . . .	618,053	475	134,430	(483,148)
Board of education . . . . .	18,485	-	-	(18,485)
Administration . . . . .	736,746	-	57,911	(678,835)
Fiscal . . . . .	244,464	-	1,101	(243,363)
Business . . . . .	10,014	6,478	318	(3,218)
Operations and maintenance . . . . .	912,623	125	171,322	(741,176)
Pupil transportation . . . . .	519,221	-	26,115	(493,106)
Operation of non-instructional services:				
Other non-instructional services . . . . .	3,696	1,407	69	(2,220)
Food service operations . . . . .	389,811	154,216	234,235	(1,360)
Extracurricular activities . . . . .	428,893	152,717	10,256	(265,920)
Interest and fiscal charges . . . . .	132,793	-	-	(132,793)
<b>Totals . . . . .</b>	<b>\$ 11,195,041</b>	<b>\$ 732,793</b>	<b>\$ 1,337,210</b>	<b>(9,125,038)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				1,903,709
Special revenue . . . . .				36,057
Debt service . . . . .				223,258
School district income tax . . . . .				899,384
Grants and entitlements not restricted to specific programs . . . . .				5,593,758
Investment earnings . . . . .				29,651
Miscellaneous . . . . .				22,447
Total general revenues . . . . .				8,708,264
Change in net assets . . . . .				(416,774)
<b>Net assets at beginning of year . . . . .</b>				<b>13,927,294</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 13,510,520</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 2,072,604	\$ 650,927	\$ 695,353	\$ 3,418,884
Cash with fiscal agent. . . . .	-	-	5,525	5,525
<b>Receivables:</b>				
Taxes. . . . .	2,438,819	39,720	239,022	2,717,561
Accounts. . . . .	7,011	-	3,143	10,154
Accrued interest . . . . .	1,120	-	-	1,120
Intergovernmental . . . . .	5,771	-	53,684	59,455
Materials and supplies inventory. . . . .	-	-	16,125	16,125
Total assets . . . . .	<u>\$ 4,525,325</u>	<u>\$ 690,647</u>	<u>\$ 1,012,852</u>	<u>\$ 6,228,824</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 19,965	\$ 779	\$ 4,628	\$ 25,372
Accrued wages and benefits. . . . .	752,714	-	112,563	865,277
Compensated absences payable . . . . .	57,571	-	-	57,571
Intergovernmental payable . . . . .	31,069	50	5,655	36,774
Unearned revenue. . . . .	1,667,577	31,328	198,557	1,897,462
Deferred revenue . . . . .	236,840	4,359	26,459	267,658
Pension obligation payable . . . . .	194,432	-	29,197	223,629
Total liabilities. . . . .	<u>2,960,168</u>	<u>36,516</u>	<u>377,059</u>	<u>3,373,743</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	115,188	13,536	63,647	192,371
Reserved for materials and supplies inventory . . . . .	-	-	16,125	16,125
Reserved for debt service . . . . .	-	-	359,764	359,764
Reserved for property tax unavailable for appropriation . . . . .	213,592	3,808	24,525	241,925
Unreserved, undesignated, reported in:				
General fund. . . . .	1,236,377	-	-	1,236,377
Special revenue funds . . . . .	-	636,787	171,732	808,519
Total fund balances . . . . .	<u>1,565,157</u>	<u>654,131</u>	<u>635,793</u>	<u>2,855,081</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,525,325</u>	<u>\$ 690,647</u>	<u>\$ 1,012,852</u>	<u>\$ 6,228,824</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

<b>Total governmental fund balances</b>		\$	2,855,081
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			13,397,073
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	264,302	
Intergovernmental revenue receivable		2,236	
Accrued interest receivable		1,120	
Total			267,658
Unamortized bond issuance costs are not recognized in the funds			71,091
Unamortized premiums on bond issuance costs are not recognized in the funds.			(120,720)
Unamortized deferred charges on refundings are not recognized in the funds.			47,549
On the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(5,214)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(547,894)	
Capital lease obligations		(69,223)	
General obligation bonds		(2,384,881)	
Total			(3,001,998)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>13,510,520</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,782,333	\$ 35,705	\$ 223,250	\$ 3,041,288
Tuition. . . . .	337,975	-	9,665	347,640
Earnings on investments . . . . .	31,066	3,259	1,296	35,621
Charges for services . . . . .	-	-	153,716	153,716
Extracurricular. . . . .	-	-	210,492	210,492
Classroom materials and fees . . . . .	29,985	-	-	29,985
Other local revenues . . . . .	19,109	-	16,463	35,572
Intergovernmental - state . . . . .	5,572,021	43,398	132,705	5,748,124
Intergovernmental - federal . . . . .	22,112	-	1,157,341	1,179,453
Total revenue . . . . .	<u>8,794,601</u>	<u>82,362</u>	<u>1,904,928</u>	<u>10,781,891</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	4,478,071	-	341,859	4,819,930
Special . . . . .	677,867	-	358,779	1,036,646
Vocational . . . . .	353,476	-	6,224	359,700
Adult/continuing . . . . .	19,880	-	-	19,880
Other . . . . .	-	-	12,031	12,031
Support services:				
Pupil . . . . .	284,113	-	6,462	290,575
Instructional staff . . . . .	478,320	-	142,412	620,732
Board of education . . . . .	18,597	-	-	18,597
Administration . . . . .	653,729	921	69,446	724,096
Fiscal . . . . .	254,408	-	1,770	256,178
Business. . . . .	-	-	6,904	6,904
Operations and maintenance . . . . .	625,742	97,374	168,385	891,501
Pupil transportation . . . . .	505,770	-	-	505,770
Operation of non-instructional. . . . .	-	-	3,696	3,696
Food service operations . . . . .	-	-	383,497	383,497
Extracurricular activities . . . . .	257,817	-	161,789	419,606
Facilities acquisition and construction. . . . .	2,800	-	17,201	20,001
Debt service:				
Principal retirement. . . . .	39,286	-	175,000	214,286
Interest and fiscal charges . . . . .	6,480	-	75,363	81,843
Total expenditures . . . . .	<u>8,656,356</u>	<u>98,295</u>	<u>1,930,818</u>	<u>10,685,469</u>
Net change in fund balances . . . . .	138,245	(15,933)	(25,890)	96,422
<b>Fund balances at beginning of year . . . . .</b>	<u>1,426,912</u>	<u>670,064</u>	<u>661,683</u>	<u>2,758,659</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,565,157</u>	<u>\$ 654,131</u>	<u>\$ 635,793</u>	<u>\$ 2,855,081</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Net change in fund balances - total governmental funds</b>	\$	96,422
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeds capital outlays in the current period accordingly.		
Capital asset additions	\$ 41,300	
Current year depreciation	<u>(756,540)</u>	
Total		(715,240)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Delinquent property taxes	21,120	
Intergovernmental	(17,834)	
Accrued interest	<u>(4,674)</u>	
Total		(1,388)
 Repayment of bond, loan, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets		
		214,286
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental interest expenditure is reported when due. The following items resulted in additional interest being recorded in the statement of activities:		
Decrease in accrued interest payable	1,015	
Accreted interest on capital appreciation bonds	(52,131)	
Amortization of deferred charges	(3,830)	
Amortization of bond premium	9,722	
Amortization of bond issuance costs	<u>(5,726)</u>	
Total		(50,950)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>40,096</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>(416,774)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,925,745	\$ 2,925,744	\$ 2,776,982	\$ (148,762)
Tuition . . . . .	369,910	369,910	337,975	(31,935)
Earnings on investments . . . . .	40,627	40,627	15,798	(24,829)
Classroom materials and fees . . . . .	34,807	34,807	29,876	(4,931)
Other local revenues . . . . .	337	337	307	(30)
Intergovernmental - state . . . . .	5,832,699	5,832,699	5,573,865	(258,834)
Intergovernmental - federal . . . . .	19,314	19,314	18,577	(737)
Total revenue . . . . .	<u>9,223,439</u>	<u>9,223,439</u>	<u>8,753,380</u>	<u>(470,059)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,506,500	4,506,495	4,477,977	28,518
Special . . . . .	716,602	716,602	680,140	36,462
Vocational . . . . .	379,221	379,221	363,849	15,372
Adult/continuing . . . . .	24,316	24,316	21,580	2,736
Other . . . . .	932	932	-	932
Support Services:				
Pupil . . . . .	287,926	287,926	285,161	2,765
Instructional staff . . . . .	489,164	489,164	467,175	21,989
Board of education . . . . .	16,220	16,220	13,552	2,668
Administration . . . . .	793,216	793,216	724,204	69,012
Fiscal . . . . .	260,831	260,831	253,575	7,256
Operations and maintenance . . . . .	754,804	754,804	691,608	63,196
Pupil transportation . . . . .	606,285	606,285	531,529	74,756
Extracurricular activities . . . . .	259,124	259,124	249,368	9,756
Facilities acquisition and construction . . . . .	2,800	2,800	2,800	-
Total expenditures . . . . .	<u>9,097,941</u>	<u>9,097,936</u>	<u>8,762,518</u>	<u>335,418</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>125,498</u>	<u>125,503</u>	<u>(9,138)</u>	<u>(134,641)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	35,000	35,000	21,439	(13,561)
Refund of prior year's receipts . . . . .	(100)	(100)	-	100
Advances in . . . . .	10,000	10,000	-	(10,000)
Sale of assets . . . . .	500	500	500	-
Total other financing sources (uses) . . . . .	<u>45,400</u>	<u>45,400</u>	<u>21,939</u>	<u>(23,461)</u>
Net change in fund balance . . . . .	170,898	170,903	12,801	(158,102)
<b>Fund balance at beginning of year . . . . .</b>	1,793,995	1,793,995	1,793,995	-
<b>Prior year encumbrances appropriated . . . . .</b>	117,556	117,556	117,556	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,082,449</u>	<u>\$ 2,082,454</u>	<u>\$ 1,924,352</u>	<u>\$ (158,102)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CLASSROOM FACILITIES MAINTENANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 35,973	\$ 35,973	\$ 36,043	\$ 70
Earnings on investments . . . . .	8,939	8,939	3,384	(5,555)
Intergovernmental - state . . . . .	45,088	45,088	43,398	(1,690)
<b>Total revenue . . . . .</b>	<u>90,000</u>	<u>90,000</u>	<u>82,825</u>	<u>(7,175)</u>
<b>Expenditures:</b>				
Current:				
Support Services:				
Administration . . . . .	847	1,052	921	131
Operations and maintenance . . . . .	102,545	112,340	110,701	1,639
<b>Total expenditures . . . . .</b>	<u>103,392</u>	<u>113,392</u>	<u>111,622</u>	<u>1,770</u>
Net change in fund balance . . . . .	(13,392)	(23,392)	(28,797)	(5,405)
<b>Fund balance at beginning of year . . . . .</b>	650,518	650,518	650,518	-
<b>Prior year encumbrances appropriated . . . . .</b>	15,340	15,340	15,340	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 652,466</u>	<u>\$ 642,466</u>	<u>\$ 637,061</u>	<u>\$ (5,405)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 368,234	\$ 29,101
Receivables:		
Accounts . . . . .	-	25
Total assets . . . . .	<u>368,234</u>	<u>\$ 29,126</u>
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 2,074
Due to students . . . . .	-	27,052
Total liabilities . . . . .	<u>-</u>	<u>\$ 29,126</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>368,234</u>	
Total net assets . . . . .	<u>\$ 368,234</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 3,970
Gifts and contributions . . . . .	29,800
Total additions . . . . .	33,770
 <b>Deductions:</b>	
Scholarships awarded . . . . .	33,400
Change in net assets . . . . .	370
<b>Net assets at beginning of year . . . . .</b>	<b>367,864</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 368,234</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The New London Local School District (the "District") is located in north-central Ohio in parts of Huron, Lorain, and Ashland counties. The District includes all of the Village of New London and portions of surrounding townships.

The District is organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District operates a pre-kindergarten school, elementary school, middle school and high school on a single campus. In addition, there are separate off-campus facilities including a weight room facility and a leased football stadium and track owned by the Village of New London. This is an operating lease for \$2,600 per year and its term is indefinite. The District employs 56 non-certified and 90 certified (including administrative) full-time and part-time employees to provide services to approximately 1,180 students in grades K through 12 and various community groups, which ranks it 435<sup>th</sup> out of 905 public and community school districts in Ohio and 5<sup>th</sup> largest of 7 districts in Huron County.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below:

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located.

Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (the "Association") is a jointly governed organization among 14 school districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870. Refer to Note 11.D. for further information on this Association.

*PUBLIC ENTITY RISK POOLS*

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member districts in preventing and reducing losses and injuries to property and persons that might result in claims being made against members of SORSA, their employees or officers.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established as an insurance purchasing pool. The Plan is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. Refer to Note 11.C. for further information on this group rating plan.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

*General fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Classroom facilities maintenance* - This fund is used to account for the proceeds of a special levy for the maintenance of facilities.

Other governmental funds of the District are used to account for (a) grants and other resources whose use is restricted to a particular purpose; (b) food service operations; and (c) activity relating to the repayment of general long-term debt principal, interest and related costs.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

*Revenues - Exchange and Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from income taxes is recognized in the period in which the income is earned (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, grants, student fees, income taxes, rentals, and other miscellaneous receipts.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination. The Huron County Commissioners waived this requirement for fiscal year ended June 30, 2010.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2010. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriations adopted by the Board of Education including all supplemental appropriations.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

During fiscal year 2010, investments were limited to non-negotiable certificates of deposit. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by policy, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$31,066, which includes \$9,855 assigned from other District funds.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans receivable/payable at June 30, 2010.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end and the liability will be liquidated with expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans and capital leases are recognized as a liability on the fund financial statements when due.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property tax revenue unavailable for appropriation and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily consist of amounts restricted for food service operations.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted assets at June 30, 2010.

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2010, the District had no transactions that would be classified as special or extraordinary items.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balance**

Fund balances at June 30, 2010 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Public school preschool	\$ 3,462
Vocational education enhancement	11
IDEA Part-B	12,631
Improving teacher quality	522

The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash in Segregated Accounts**

At fiscal year end, the District had \$5,525 in cash and cash equivalents held by the North Point Educational Service Center. This amount is included on the financial statements as “cash with fiscal agent”. The North Point Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore, the District cannot classify this money by risk under GASB Statement No. 40.

**B. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$3,816,219. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$2,640,070 of the District’s bank balance of \$3,856,931 was exposed to custodial risk as discussed below, while \$1,216,861 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,816,219
Cash with fiscal agent	<u>5,525</u>
Total	<u>\$ 3,821,744</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,424,409
Private-purpose trust fund	368,234
Agency fund	<u>29,101</u>
Total	<u>\$ 3,821,744</u>

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Huron County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$213,592 in the general fund, \$24,525 in the bond retirement debt service fund (a nonmajor governmental fund) and \$3,808 in the classroom facilities maintenance fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$226,227 in the general fund, \$29,358 in the bond retirement debt service fund (a nonmajor governmental fund) and \$4,371 in the classroom facilities maintenance fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 5 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 94,681,430	95.90	\$ 98,215,820	97.62
Public utility personal	2,858,770	2.90	2,368,320	2.35
Tangible personal property	<u>1,217,190</u>	<u>1.20</u>	<u>24,085</u>	<u>0.03</u>
Total	<u>\$ 98,757,390</u>	<u>100.00</u>	<u>\$ 100,608,225</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$31.40		\$31.30	
Debt service	2.85		2.50	
Classroom facilities	0.50		0.50	

**NOTE 6 - SCHOOL DISTRICT INCOME TAX**

The District has authorized, through voter approval, an annual continuing 1% school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the District and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2010, was \$899,384.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

<b>Governmental activities:</b>	
Taxes	\$ 2,717,561
Accounts	10,154
Accrued interest	1,120
Intergovernmental	<u>59,455</u>
Total	<u>\$ 2,788,290</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for fiscal year ended June 30, 2010, was as follows:

	Balance			Balance
	<u>06/30/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>06/30/10</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 285,043	\$ -	\$ -	\$ 285,043
Total capital assets, not being depreciated	<u>285,043</u>	<u>-</u>	<u>-</u>	<u>285,043</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,598,212	27,500	-	1,625,712
Buildings and building improvements	17,038,748	-	-	17,038,748
Furniture and equipment	849,712	13,800	-	863,512
Vehicles	<u>773,382</u>	<u>-</u>	<u>-</u>	<u>773,382</u>
Total capital assets, being depreciated	<u>20,260,054</u>	<u>41,300</u>	<u>-</u>	<u>20,301,354</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(762,934)	(76,270)	-	(839,204)
Buildings and building improvements	(4,757,155)	(567,289)	-	(5,324,444)
Furniture and equipment	(348,305)	(74,482)	-	(422,787)
Vehicles	<u>(564,390)</u>	<u>(38,499)</u>	<u>-</u>	<u>(602,889)</u>
Total accumulated depreciation	<u>(6,432,784)</u>	<u>(756,540)</u>	<u>-</u>	<u>(7,189,324)</u>
Governmental activities capital assets, net	<u>\$ 14,112,313</u>	<u>\$ (715,240)</u>	<u>\$ -</u>	<u>\$ 13,397,073</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 685,301
<u>Support services:</u>	
Instructional staff	359
Administration	9,095
Business	3,110
Operation and maintenance	4,203
Pupil transportation	38,499
Extracurricular activities	9,302
Food service operations	<u>6,671</u>
Total depreciation expense	<u>\$ 756,540</u>

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In fiscal year 2009, the District entered into capitalized leases for a bus and maintenance equipment. During a prior fiscal year, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$192,357. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$39,286 paid by the general fund. Accumulated depreciation totaled \$104,206 resulting in a net book value of \$88,151 at June 30, 2010.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 45,764
2012	15,885
2013	<u>12,892</u>
Total minimum lease payments	74,541
Less: amount representing interest	<u>(5,318)</u>
Total	<u>\$ 69,223</u>

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
Capital appreciation bonds					
7.639% to 7.701% (average effective)					
12/01/08, 09, 10 & 11 maturity	\$ 191,749	\$ -	\$ (68,676)	\$ 123,073	\$ 63,801
Accreted interest on capital appreciation bonds	189,437	33,414	(76,324)	146,527	75,958
Series 2007 refunding issue:					
Current interest bonds					
3.75% to 4.00%, 12/01/22 maturity					
Capital appreciation bonds	1,960,000	-	(30,000)	1,930,000	30,000
4.05% to 4.15% (average effective)					
12/01/17 and 12/01/18 maturity	139,971	-	-	139,971	-
Accreted interest on capital appreciation bonds	<u>26,593</u>	<u>18,717</u>	<u>-</u>	<u>45,310</u>	<u>-</u>
Total general obligation bonds	<u>2,507,750</u>	<u>52,131</u>	<u>(175,000)</u>	<u>2,384,881</u>	<u>169,759</u>
<u>Other obligations:</u>					
Compensated absences	645,015	51,200	(90,750)	605,465	89,654
Capital leases	<u>108,509</u>	<u>-</u>	<u>(39,286)</u>	<u>69,223</u>	<u>42,273</u>
Total other obligations	<u>753,524</u>	<u>51,200</u>	<u>(130,036)</u>	<u>674,688</u>	<u>131,927</u>
Total governmental activities long-term liabilities	<u>\$ 3,261,274</u>	<u>\$ 103,331</u>	<u>\$ (305,036)</u>	3,059,569	<u>\$ 301,686</u>
				Add: unamortized premium on bond issue	120,720
				Less: unamortized deferred charges on refunding	<u>(47,549)</u>
				Total on statement of net assets	<u>\$ 3,132,740</u>



**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. General Obligation Bonds**

On October 1, 1999, the District issued \$3,250,673 in general obligation bonds (Series 1999, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as an expenditure in the bond retirement fund. The source of payment is derived from a current 2.50 mill bonded debt tax levy.

In conjunction with the 2.50 mills which support the bond issue, the District also passed in fiscal year 2000 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the classroom facilities maintenance fund.

The original issue was comprised of current interest bonds, par value \$2,130,000, serial bonds, par value \$855,000, and capital appreciation bonds, par value \$265,673. On December 3, 2007, the District refunded \$2,130,000 of the current interest bonds (see Note 10.C. for detail). The capital appreciation bonds mature each December 1, 2008 through 2011, (effective interest 7.639%, 7.701%, 7.634%, and 7.639%, respectively) at redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$580,000. A total of \$146,527 in accreted interest on the capital appreciation bonds has been included on the statement of net assets at June 30, 2010.

Principal and interest requirements to retire the Series 1999 general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending	Capital Appreciation Bonds		
	Principal	Interest	Total
2011	\$ 63,801	\$ 81,199	\$ 145,000
2012	59,272	85,728	145,000
Total	<u>\$ 123,073</u>	<u>\$ 166,927</u>	<u>\$ 290,000</u>

C. On December 3, 2007, the District issued general obligation bonds (Series 2007 School Facilities Improvement Refunding Bonds) to advance refund \$2,130,000 of the Series 1999 current interest general obligation bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The refunding issue is comprised of both current interest bonds, par value \$1,990,000, and capital appreciation bonds, par value \$139,971. The interest rates on the current interest bonds range from 3.75% to 4.00%. The capital appreciation bonds mature on December 1, 2017 and December 1, 2018, (effective interest 4.05% to 4.15%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$430,000. Total accreted interest of \$45,310 has been included in the statement of net assets. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2022.

The following is a schedule of activity for fiscal year 2010 on the Series 2007 refunding bonds:

	Balance <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/10</u>
Current interest bonds	\$ 1,960,000	\$ -	\$ (30,000)	\$ 1,930,000
Capital appreciation bonds	<u>166,564</u>	<u>18,717</u>	<u>-</u>	<u>185,281</u>
Total refunding bonds	<u>\$ 2,126,564</u>	<u>\$ 18,717</u>	<u>\$ (30,000)</u>	<u>\$ 2,115,281</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$57,442. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the Series 2007 refunding bonds:

Fiscal Year Ending	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 30,000	\$ 74,342	\$ 104,342	\$ -	\$ -	\$ -
2012	30,000	73,323	103,323	-	-	-
2013	175,000	69,837	244,837	-	-	-
2014	185,000	63,394	248,394	-	-	-
2015	190,000	56,362	246,362	-	-	-
2016 - 2020	620,000	195,000	815,000	139,971	290,029	430,000
2021 - 2023	<u>700,000</u>	<u>42,600</u>	<u>742,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,930,000</u>	<u>\$ 574,858</u>	<u>\$ 2,504,858</u>	<u>\$ 139,971</u>	<u>\$ 290,029</u>	<u>\$ 430,000</u>

**D. Other Long-Term Obligations**

Compensated absences will be paid from the fund from which the employee's salaries are paid. For the District, this is the general fund and food service fund (a nonmajor governmental fund). The capital lease obligations are described in Note 9.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The District provides a retirement bonus for State Teacher's Retirement System of Ohio (STRS Ohio) employees who were eligible for retirement under STRS Ohio guidelines and retired effective at the end of the 2010 school year, and notified the District sixty calendar days prior to the actual date of retirement and prior to March 1, 2010. Employees who are eligible for the retirement bonus receive a one lump sum payment of three-hundred dollars for every year of bargaining unit service to the District up to thirty years of service. Four employees took advantage of the retirement bonus in fiscal year 2010. A liability for the 2010 retirement bonus has been recorded in the fund financial statements for the amount expected to be liquidated with expendable available financial resources. The entire liability is recorded on the statement of net assets.

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$7,243,818 (including available funds of \$384,289) and an unvoted debt margin of \$100,584.

**NOTE 11 - RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Schools of Ohio Risk Sharing Authority (SORSA), which includes boiler coverage. The deductible is \$250 per incident. All vehicles are insured with SORSA and have a \$500 comprehensive deductible for collision and comprehensive bus coverage and a \$500 comprehensive deductible for automobiles and a \$500 collision deductible for automobiles. All board members, administrators and employees are covered under a school district liability policy with SORSA. The limits of this coverage are \$11,000,000 per occurrence and \$13,000,000 aggregate.

Settled claims have not exceeded these commercial insurance coverages in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2009.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Employee Dishonesty Bonds**

The board president is covered with a surety bond for \$20,000 through the OSBA Board Program. The superintendent and the treasurer are covered by a \$20,000 and a \$100,000 surety bond respectively. The student activity clerk/treasurer's secretary is also covered by a surety bond in the amount of \$10,000. These bonds are all with the Western Surety Company. The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$50,000. This coverage is provided by the SORSA.

**C. Workers' Compensation**

For fiscal year 2010, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

**D. Huron-Erie School Employees Insurance Association**

The District has contracted with the Huron-Erie School Employees Insurance Association (the "Association") to provide medical/surgical, dental, vision, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 13 school districts that provide public education within Erie and Huron Counties. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$154,604, \$103,892 and \$99,236, respectively; 43.94 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 12 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$539,081, \$546,898 and \$513,015, respectively; 83.78 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$10,620 made by the District and \$7,585 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$28,443, \$69,251 and \$66,668, respectively; 43.94 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$9,194, \$8,572 and \$7,150, respectively; 43.94 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$41,468, \$42,069 and \$39,463, respectively; 83.78 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue fund: classroom facilities maintenance fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and classroom facilities maintenance fund is as follows:

**Net Change in Fund Balance**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>
Budget basis	\$ 12,801	\$ (28,797)
Net adjustment for revenue accruals	41,221	(463)
Net adjustment for expenditure accruals	(25,908)	(259)
Net adjustment for other sources/uses	(21,939)	-
Adjustment for encumbrances	<u>132,070</u>	<u>13,586</u>
GAAP basis	<u>\$ 138,245</u>	<u>\$ (15,933)</u>



**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not currently party to legal proceedings.

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2009	\$ (66,346)	\$ -
Current year set-aside requirement	180,243	180,243
Current year offsets	-	(79,441)
Qualifying disbursements	<u>(155,972)</u>	<u>(184,703)</u>
Total	<u>\$ (42,075)</u>	<u>\$ (83,901)</u>
Balance carried forward to fiscal year 2011	<u>\$ (42,075)</u>	<u>\$ -</u>

The District had enough qualifying disbursements to reduce the set-a-side amount below zero for the textbooks/instructional materials reserve. This amount may be carried forward to future years. The District had enough qualifying expenditures and offsets to reduce the set-a-side amount below zero for the capital acquisition reserve; however, this amount may not be carried forward to future years.

## **SUPPLEMENTARY DATA**

NEW LONDON LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(D) (E) <i>Nutrition Grant Cluster:</i> School Breakfast Program	10.553	2009	\$ 31,617	\$ 31,617
<b>Total School Breakfast Program</b>			<u>31,617</u>	<u>31,617</u>
(C) (D) National School Lunch Program-Food Donations	10.555	2010	21,616	21,616
(D) (E) National School Lunch Program	10.555	2010	200,064	200,064
<b>Total National School Lunch Program</b>			<u>221,680</u>	<u>221,680</u>
<b>Total Nutrition Grant Cluster and U.S. Department of Agriculture</b>			<u>253,297</u>	<u>253,297</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Title I Grant Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2009	22,110	24,439
(F) Title I Grants to Local Educational Agencies	84.010	2010	123,708	117,676
<b>Total Title I Grants to Local Educational Agencies</b>			<u>145,818</u>	<u>142,115</u>
(F) ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	32,700	31,501
<b>Total Title I Grant Cluster</b>			<u>178,518</u>	<u>173,616</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education Grants to States	84.027	2009	26,748	31,136
(G) Special Education Grants to States	84.027	2010	196,950	195,590
<b>Total Special Education Grants to States</b>			<u>223,698</u>	<u>226,726</u>
(G) ARRA-Special Education Grants to States, Recovery Act	84.391	2010	134,218	116,377
<b>Total Special Education Grant Cluster</b>			<u>357,916</u>	<u>343,103</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2009	-	1,554
Safe and Drug-Free Schools and Communities State Grants	84.186	2010	3,214	1,285
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<u>3,214</u>	<u>2,839</u>
State Grants for Innovative Programs	84.298	2009	-	375
Education Technology State Grants	84.318	2009	-	668
Education Technology State Grants	84.318	2010	1,384	439
<b>Total Education Technology State Grants</b>			<u>1,384</u>	<u>1,107</u>
Improving Teacher Quality State Grants	84.367	2009	5,916	8,187
Improving Teacher Quality State Grants	84.367	2010	44,694	43,796
<b>Total Improving Teacher Quality State Grants</b>			<u>50,610</u>	<u>51,983</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	348,837	330,066
<b>Total U.S. Department of Education</b>			<u>940,479</u>	<u>903,089</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,193,776</u>	<u>\$ 1,156,386</u>

- (A) OAKS did not assign pass through numbers for fiscal year 2010
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first in, first out basis
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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***

Board of Education  
New London Local School District  
2 Wildcat Drive  
New London, Ohio 44851

To the Members of the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New London Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise New London Local School District's basic financial statements and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the New London Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the New London Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the New London Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the New London Local School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education  
New London Local School District

Compliance and Other Matters

As part of reasonably assuring whether the New London Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the New London Local School District, federal awarding agencies and pass-through entities, and others within the New London Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 9, 2010



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over Compliance In  
Accordance With OMB Circular A-133**

Board of Education  
New London Local School District  
2 Wildcat Drive  
New London, Ohio 44851

To the Members of the Board of Education:

Compliance

We have audited the compliance of the New London Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the New London Local School District's major federal programs. The New London Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the New London Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the New London Local School District's compliance with those requirements and performing other procedures 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 the New London Local School District's compliance with those requirements.

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

Internal Control Over Compliance

The New London Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered New London Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of New London Local School District's internal control over compliance.

Board of Education  
New London Local School District

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. 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 that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management and Board of Education of the New London Local School District, federal awarding agencies and pass-through entities, and others within the New London Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 9, 2010

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Cluster: Special Education - Grants to States: CFDA #84.027 and ARRA - Special Education - Grants to States Recovery Act: CFDA #84.391; ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act: CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes
<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>		

None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None





**Mary Taylor, CPA**  
Auditor of State

**NEW LONDON LOCAL SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 11, 2011**