

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

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2015**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • 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 James G. Zupka, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 25, 2016

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**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
New London Local School District  
New London, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

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 year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New London Local School District, Ohio, as of June 30, 2015, and the respective changes in financial position, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 3 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its July 1, 2014 net position. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions and Notes to Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New London Local School District, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, on our consideration of the New London Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New London Local School District, Ohio's internal control over financial reporting and compliance.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA,  
Inc., c=US, email=jzupka@jzupka.com, ou=US  
Date: 2015.12.22 15:10:49 -0500

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 2, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

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, 2015. 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 2015 are as follows:

- In total, net position of governmental activities decreased \$48,518 which represents a 3.58% decrease from the 2014's restated net position.
- General revenues accounted for \$9,452,425 in revenue or 80.35% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,311,761 or 19.65% of total revenues of \$11,764,186.
- The District had \$11,812,704 in expenses related to governmental activities; \$2,311,761 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,452,425 were not adequate to provide for these programs.
- The District's major funds are the general fund and the bond retirement fund. The general fund had \$10,488,465 in revenues and other financing sources and \$10,394,324 in expenditures. During fiscal year 2015, the general fund's fund balance increased \$94,141 from a balance of \$1,080,838 to a balance of \$1,174,979.
- The bond retirement fund had \$281,793 in revenues and \$252,731 in expenditures. During fiscal year 2015, the bond retirement fund's fund balance increased \$29,062 from a balance of \$407,821 to a balance of \$436,883.

**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 position* 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 the bond retirement 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, 2015  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position 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 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, 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 position* and changes in those assets. This change in net position 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 position 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 position and statement of activities can be found on pages 16-17 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 12. 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 funds are the general fund and the bond retirement 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 position 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 18-22 of this report.

***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 position and changes in fiduciary net position on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

***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 25-57 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 58 through 64 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.

	<b>Net Position</b>	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 5,500,001	\$ 5,428,616
Capital assets, net	<u>14,810,002</u>	<u>15,092,835</u>
Total assets	<u>20,310,003</u>	<u>20,521,451</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred charges on debt refunding	28,404	32,233
Pension	<u>843,791</u>	<u>709,331</u>
Total deferred outflows of resources	<u>872,195</u>	<u>741,564</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,069,491	1,139,502
Long-term liabilities:		
Due within one year	321,402	216,851
Due in more than one year:		
Net pension liability	11,974,141	14,227,589
Other amounts	<u>2,466,866</u>	<u>2,425,745</u>
Total liabilities	<u>15,831,900</u>	<u>18,009,687</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	1,878,311	1,897,672
Pensions	<u>2,164,849</u>	<u>-</u>
Total deferred inflows of resources	<u>4,043,160</u>	<u>1,897,672</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	12,929,285	13,379,551
Restricted	809,236	917,060
Unrestricted (deficit)	<u>(12,431,383)</u>	<u>(12,940,955)</u>
Total net position	<u>\$ 1,307,138</u>	<u>\$ 1,355,656</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

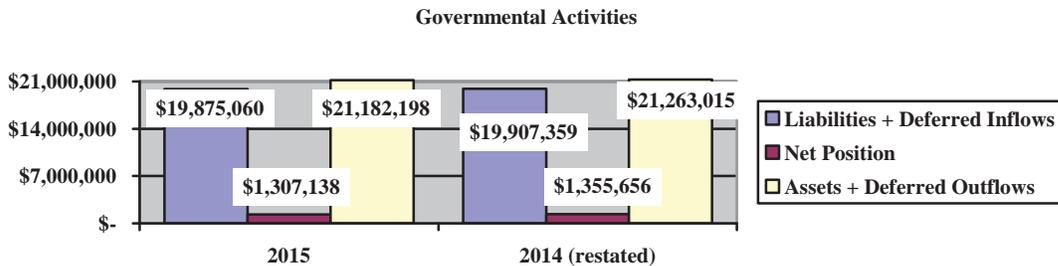
As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$14,873,914 to \$1,355,656.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,307,138.

At year-end, capital assets represented 72.92% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Investments in capital assets, net of related debt to acquire the assets at June 30, 2015, were \$12,929,285. 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 position, \$809,236, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$12,431,383).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.



The table below shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.

	<b>Change in Net Position</b>	
	Governmental Activities 2015	Governmental Activities 2014
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 839,166	\$ 738,061
Operating grants and contributions	1,472,595	1,348,979
General revenues:		
Property taxes	2,461,887	2,218,879
School district income tax	1,143,585	1,109,299
Grants and entitlements	5,829,882	5,496,876
Investment earnings	5,536	6,480
Other	11,535	70,740
<b>Total revenues</b>	<b>11,764,186</b>	<b>10,989,314</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**Change in Net Position**

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,822,791	\$ 5,679,354
Special	1,526,712	1,312,633
Vocational	298,401	310,406
Other	12,192	15,070
Support services:		
Pupil	447,336	504,805
Instructional staff	174,610	186,746
Board of education	16,061	17,246
Administration	675,711	769,730
Fiscal	266,596	294,907
Business	30,020	25,704
Operations and maintenance	880,712	881,385
Pupil transportation	552,843	575,724
Central	165,092	106,208
Operation of non-instructional services:		
Other non-instructional services	17,481	28,979
Food service operations	397,411	408,205
Extracurricular activities	443,080	473,239
Interest and fiscal charges	<u>85,655</u>	<u>86,467</u>
Total expenses	<u>11,812,704</u>	<u>11,676,808</u>
Change in net position	(48,518)	(687,494)
Net position at beginning of year	<u>1,355,656</u>	<u>N/A</u>
Net position at end of year (restated)	<u>\$ 1,307,138</u>	<u>\$ 1,355,656</u>

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$709,331 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$507,934.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 11,812,704
Pension expense under GASB 68	(507,934)
2015 contractually required contributions	<u>730,993</u>
Adjusted 2015 program expenses	12,035,763
Total 2014 program expenses under GASB 27	<u>11,676,808</u>
Increase in program expenses not related to pension	<u>\$ 358,955</u>

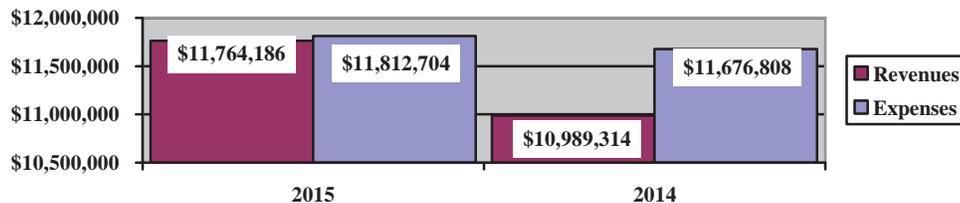
Net position of the District's governmental activities decreased \$48,518. Total governmental expenses of \$11,812,704 were offset by program revenues of \$2,311,761, and general revenues of \$9,452,425. Program revenues supported 19.57% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 80.20% of total governmental revenue. Property tax revenues increased by \$243,008 due to an increase in the amount available for advance at fiscal year-end. Grants and entitlements increased by \$333,006 due to an increase in State funding.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,660,096 or 64.85% of total governmental expenses for fiscal year 2015. Program expenses not related to pension increased \$358,955, mainly due to an increase in instruction expenses due to an increase in personnel costs.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2015 or 2014.

**Governmental Activities - Revenues and Expenses**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,822,791	\$ 5,296,192	\$ 5,679,354	\$ 5,157,119
Special	1,526,712	475,496	1,312,633	410,604
Vocational	298,401	170,194	310,406	298,406
Other	12,192	9,924	15,070	15,070
Support services:				
Pupil	447,336	444,645	504,805	504,805
Instructional staff	174,610	164,838	186,746	174,003
Board of education	16,061	16,061	17,246	17,246
Administration	675,711	664,024	769,730	757,040
Fiscal	266,596	266,596	294,907	294,907
Business	30,020	30,020	25,704	25,704
Operations and maintenance	880,712	873,409	881,385	881,385
Pupil transportation	552,843	523,165	575,724	575,724
Central	165,092	153,633	106,208	100,808
Operations of non-instructional services:				
Other non-instructional services	17,481	10,436	28,979	28,979
Food service operations	397,411	63,275	408,205	62,376
Extracurricular activities	443,080	253,380	473,239	199,125
Interest and fiscal charges	<u>85,655</u>	<u>85,655</u>	<u>86,467</u>	<u>86,467</u>
Total expenses	<u>\$ 11,812,704</u>	<u>\$ 9,500,943</u>	<u>\$ 11,676,808</u>	<u>\$ 9,589,768</u>

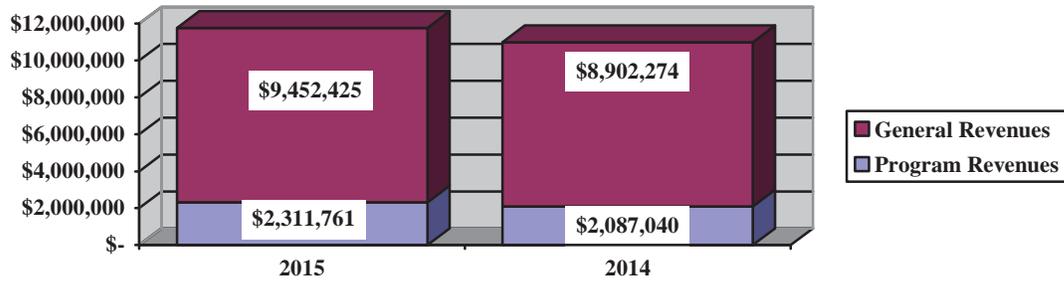
The dependence upon tax and other general revenues for governmental activities is apparent, as 77.70% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.43%. The District's taxpayers and unrestricted grants 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, 2015  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014:

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,077,431 which is less than last year's total balance of \$2,085,089. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance <u>June 30, 2014</u>	Increase (Decrease)	Percentage Change
General	\$ 1,174,979	\$ 1,080,838	\$ 94,141	8.71 %
Bond retirement	436,883	407,821	29,062	7.13 %
Other governmental	<u>465,569</u>	<u>596,430</u>	<u>(130,861)</u>	(21.94) %
Total	<u>\$ 2,077,431</u>	<u>\$ 2,085,089</u>	<u>\$ (7,658)</u>	(0.37) %

**General Fund**

The District's general fund balance increased \$94,141. In fiscal year 2015, the District saw an increase in taxes and intergovernmental revenues. Tax revenues increased \$156,750 or 5.06% due to an increase in property taxes and income taxes. The increase in intergovernmental revenue is due to an increase in state funding. The increase in instruction and support service expenditures is due to an increase in personnel costs. The increase in capital outlay is due to the new capital lease agreement the District signed in the current fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

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

	2015 <u>Amount</u>	2014 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 3,249,998	\$ 3,093,248	\$ 156,750	5.07 %
Earnings on investments	5,536	5,107	429	8.40 %
Intergovernmental	6,386,643	6,022,335	364,308	6.05 %
Other revenues	<u>566,009</u>	<u>510,202</u>	<u>55,807</u>	10.94 %
Total	<u>\$ 10,208,186</u>	<u>\$ 9,630,892</u>	<u>\$ 577,294</u>	5.99 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,701,018	\$ 6,236,688	\$ 464,330	7.45 %
Support services	3,107,272	3,091,305	15,967	0.52 %
Non-instructional services	16,100	28,667	(12,567)	(43.84) %
Extracurricular activities	253,232	256,239	(3,007)	(1.17) %
Capital outlay	255,252	1,937	253,315	13,077.70 %
Debt service	<u>61,450</u>	<u>9,016</u>	<u>52,434</u>	581.57 %
Total	<u>\$ 10,394,324</u>	<u>\$ 9,623,852</u>	<u>\$ 770,472</u>	8.01 %

***Bond Retirement Fund***

The bond retirement fund had \$281,793 in revenues and \$252,731 in expenditures. During fiscal year 2015, the bond retirement fund's fund balance increased \$29,062 from a balance of \$407,821 to a balance of \$436,883.

***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 2015, the District's original budgeted revenues and other financing sources were \$9,700,582. The final budgeted revenues and other financing sources were \$10,043,366. Actual revenues and other financing sources for fiscal 2015 was \$10,072,840. This represents a \$29,474 increase over final budgeted revenues.

General fund original appropriations totaled \$9,563,562 and final budget appropriations totaled \$10,205,136. The actual budget basis expenditures for fiscal year 2015 totaled \$10,189,807, which was \$15,329 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, 2015  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2015, the District had \$14,810,002 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 2015 balances compared to 2014:

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

	Governmental Activities	
	2015	2014
Land	\$ 315,751	\$ 315,751
Land improvements	358,638	438,028
Building and improvements	13,426,553	13,775,145
Furniture and equipment	299,802	358,929
Vehicles	409,258	204,982
Total	\$ 14,810,002	\$ 15,092,835

The overall decrease in capital assets of \$282,833 is due to depreciation expense of \$732,334 and disposals (net of accumulated depreciation) of \$13,715 exceeding capital outlay of \$463,216 in the fiscal year.

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

*Debt Administration*

At June 30, 2015, the District had \$1,635,563 in general obligation bonds and \$377,041 in capital leases outstanding. Of this total, \$291,473 is due within one year and \$1,721,131 is due within greater than one year. The following table summarizes the outstanding obligations for fiscal year 2015 compared to 2014.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2015	2014
General obligation bonds	\$ 1,635,563	\$ 1,793,682
Capital leases	377,041	13,715
Total	\$ 2,012,604	\$ 1,807,397

At June 30, 2015, the District's overall legal debt margin was \$8,347,871, and an unvoted debt margin of \$104,122.

See Note 12 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, 2015  
(UNAUDITED)**

**Current Financial Related Activities**

The District continues to meet its current financial obligations. It is projected that the Board will have a positive five-year forecast through Fiscal Year 2020. Having a positive cash balance can be attributed to the increase of almost \$1 million in state funding per year as proposed in the recent budget bill.

The newly constructed buildings are now over 15 years old and the District will need to monitor major repairs as new equipment/fixtures begin to reach their maximum life. The facility capital maintenance levy (0.5 mill) continues to support service contracts and equipment repairs for equipment that was part of the original construction. This levy will be collected through calendar year 2022.

The District renewed an Emergency Levy in May, 2011 for 5 years (Collection years 2012 through 2016). The levy generates approximately \$152,000 per calendar year. The Board is currently in the process of determining if this levy should be renewed or not.

The District has a continuing Income Tax of 1 percent of gross earnings and has been an integral part of the revenue of the District. The revenue from this income tax has begun to rebound from a drastic decline in 2008. If the unemployment in Ohio continues to rebound, the income tax will help to offset any deficit.

The District has negotiated agreements with two bargaining units; the New London Teachers Association and the Ohio Association of Public School Employees Local Chapter #521.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives; additional information can be obtained from the Five Year Forecast and the accompanying assumptions posted on the website of the Ohio Department of Education at [www.ode.state.oh.us](http://www.ode.state.oh.us). If you have questions about this report or need additional financial information contact Jim Hudson, Treasurer, New London Local School District, 2 Wildcat Drive, New London, Ohio 44851-1299.

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

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,250,274
Receivables:	
Property taxes . . . . .	2,612,224
Income taxes. . . . .	442,784
Accounts. . . . .	22,463
Accrued interest . . . . .	493
Intergovernmental . . . . .	152,345
Prepayments . . . . .	8,872
Materials and supplies inventory. . . . .	1,353
Inventory held for resale. . . . .	9,193
Capital assets:	
Nondepreciable capital assets . . . . .	315,751
Depreciable capital assets, net. . . . .	14,494,251
Capital assets, net . . . . .	14,810,002
Total assets. . . . .	20,310,003
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges	
on debt refunding . . . . .	28,404
Pension - STRS . . . . .	663,333
Pension - SERS . . . . .	180,458
Total deferred outflows of resources . . . . .	872,195
 <b>Liabilities:</b>	
Accounts payable. . . . .	31,774
Accrued wages and benefits payable . . . . .	833,478
Intergovernmental payable . . . . .	47,504
Pension and post employment benefits payable. . . . .	153,169
Accrued interest payable . . . . .	3,566
Long-term liabilities:	
Due within one year. . . . .	321,402
Due in more than one year:	
Net pension liability . . . . .	11,974,141
Other amounts due in more than one year . . . . .	2,466,866
Total liabilities . . . . .	15,831,900
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	1,878,311
Pension - STRS. . . . .	1,804,425
Pension - SERS. . . . .	360,424
Total deferred inflows of resources . . . . .	4,043,160
 <b>Net position:</b>	
Net investment in capital assets . . . . .	12,929,285
Restricted for:	
Debt service. . . . .	285,492
Locally funded programs . . . . .	5,833
State funded programs. . . . .	474
Student activities . . . . .	126,670
Classroom facilities maintenance . . . . .	348,977
Other purposes . . . . .	41,790
Unrestricted (deficit) . . . . .	(12,431,383)
Total net position. . . . .	\$ 1,307,138

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, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Governmental activities:	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Instruction:				
Regular . . . . .	\$ 5,822,791	\$ 474,856	\$ 51,743	\$ (5,296,192)
Special . . . . .	1,526,712	59,791	991,425	(475,496)
Vocational . . . . .	298,401	447	127,760	(170,194)
Other . . . . .	12,192	-	2,268	(9,924)
Support services:				
Pupil . . . . .	447,336	2,691	-	(444,645)
Instructional staff . . . . .	174,610	4,604	5,168	(164,838)
Board of education . . . . .	16,061	-	-	(16,061)
Administration . . . . .	675,711	1,732	9,955	(664,024)
Fiscal . . . . .	266,596	-	-	(266,596)
Business . . . . .	30,020	-	-	(30,020)
Operations and maintenance . . . . .	880,712	5,868	1,435	(873,409)
Pupil transportation . . . . .	552,843	54	29,624	(523,165)
Central . . . . .	165,092	1,522	9,937	(153,633)
Operation of non-instructional services:				
Other non-instructional services . . . . .	17,481	6,332	713	(10,436)
Food service operations . . . . .	397,411	118,466	215,670	(63,275)
Extracurricular activities . . . . .	443,080	162,803	26,897	(253,380)
Interest and fiscal charges . . . . .	85,655	-	-	(85,655)
<b>Total governmental activities . . . . .</b>	<b>\$ 11,812,704</b>	<b>\$ 839,166</b>	<b>\$ 1,472,595</b>	<b>(9,500,943)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				2,176,267
Debt service . . . . .				244,742
Other purposes . . . . .				40,878
Income taxes levied for:				
General purposes . . . . .				1,143,585
Grants and entitlements not restricted to specific programs . . . . .				5,829,882
Investment earnings . . . . .				5,536
Miscellaneous . . . . .				11,535
<b>Total general revenues . . . . .</b>				<b>9,452,425</b>
Change in net position . . . . .				(48,518)
<b>Net position at beginning of year (restated) . . . . .</b>				<b>1,355,656</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 1,307,138</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<b>General</b>	<b>Bond Retirement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 1,298,091	\$ 391,824	\$ 560,359	\$ 2,250,274
Receivables:				
Property taxes. . . . .	2,308,248	259,290	44,686	2,612,224
Income taxes . . . . .	442,784	-	-	442,784
Accounts . . . . .	21,614	-	849	22,463
Accrued interest . . . . .	493	-	-	493
Intergovernmental. . . . .	57,397	-	94,948	152,345
Prepayments. . . . .	8,872	-	-	8,872
Materials and supplies inventory. . . . .	-	-	1,353	1,353
Inventory held for resale. . . . .	-	-	9,193	9,193
Due from other funds . . . . .	40,026	-	-	40,026
Total assets . . . . .	<u>\$ 4,177,525</u>	<u>\$ 651,114</u>	<u>\$ 711,388</u>	<u>\$ 5,540,027</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 24,196	\$ -	\$ 7,578	\$ 31,774
Accrued wages and benefits payable . . . . .	747,043	-	86,435	833,478
Compensated absences payable . . . . .	17,114	-	-	17,114
Intergovernmental payable . . . . .	43,451	-	4,053	47,504
Pension and post employment benefits payable . . . . .	137,590	-	15,579	153,169
Due to other funds . . . . .	-	-	40,026	40,026
Total liabilities. . . . .	<u>969,394</u>	<u>-</u>	<u>153,671</u>	<u>1,123,065</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	1,659,271	186,464	32,576	1,878,311
Delinquent property tax revenue not available. . . . .	246,248	27,767	4,648	278,663
Income tax revenue not available . . . . .	76,843	-	-	76,843
Intergovernmental revenue not available. . . . .	50,790	-	54,924	105,714
Total deferred inflows of resources . . . . .	<u>2,033,152</u>	<u>214,231</u>	<u>92,148</u>	<u>2,339,531</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	-	-	1,353	1,353
Prepays. . . . .	8,872	-	-	8,872
Restricted:				
Debt service . . . . .	-	436,883	-	436,883
Classroom facilities maintenance . . . . .	-	-	344,329	344,329
Food service operations . . . . .	-	-	46,900	46,900
Other purposes. . . . .	-	-	8,455	8,455
Extracurricular. . . . .	-	-	126,670	126,670
Assigned:				
Student instruction . . . . .	438	-	-	438
Student and staff support. . . . .	29,895	-	-	29,895
Extracurricular activities . . . . .	149	-	-	149
Public school support . . . . .	23,349	-	-	23,349
Subsequent year's appropriations . . . . .	135,061	-	-	135,061
Uniform school supplies . . . . .	9,037	-	-	9,037
Other purposes. . . . .	314	-	-	314
Unassigned (deficit). . . . .	967,864	-	(62,138)	905,726
Total fund balances . . . . .	<u>1,174,979</u>	<u>436,883</u>	<u>465,569</u>	<u>2,077,431</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,177,525</u>	<u>\$ 651,114</u>	<u>\$ 711,388</u>	<u>\$ 5,540,027</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 POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015

<b>Total governmental fund balances</b>		\$	2,077,431
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			14,810,002
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds.			
Property taxes receivable	\$	278,663	
Income taxes receivable		76,843	
Intergovernmental receivable		105,714	
Total		105,714	461,220
Unamortized premiums on bonds issued are not recognized in the funds.			(72,109)
Unamortized amounts on refundings are not recognized in the funds.			28,404
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		843,791	
Deferred inflows of resources - pension		(2,164,849)	
Net pension liability		(11,974,141)	
Total		(11,974,141)	(13,295,199)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(3,566)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(1,635,563)	
Capital lease obligations		(377,041)	
Compensated absences		(686,441)	
Total		(2,699,045)	(2,699,045)
<b>Net position of governmental activities</b>		\$	1,307,138

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, 2015

	<b>General</b>	<b>Bond Retirement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,183,256	\$ 245,937	\$ 41,060	\$ 2,470,253
Income taxes. . . . .	1,066,742	-	-	1,066,742
Tuition. . . . .	406,800	-	-	406,800
Transportation fees. . . . .	30,920	-	-	30,920
Earnings on investments . . . . .	5,536	-	903	6,439
Charges for services . . . . .	-	-	118,466	118,466
Extracurricular. . . . .	70,788	-	166,226	237,014
Classroom materials and fees . . . . .	39,635	-	-	39,635
Rental income . . . . .	274	-	-	274
Contributions and donations . . . . .	2,890	-	26,551	29,441
Contract services. . . . .	5,610	-	-	5,610
Other local revenues . . . . .	9,092	-	1,416	10,508
Intergovernmental - intermediate . . . . .	-	-	11,661	11,661
Intergovernmental - state . . . . .	6,378,026	35,856	113,831	6,527,713
Intergovernmental - federal . . . . .	8,617	-	644,436	653,053
Total revenues . . . . .	<u>10,208,186</u>	<u>281,793</u>	<u>1,124,550</u>	<u>11,614,529</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	5,329,407	-	55,036	5,384,443
Special . . . . .	1,123,519	-	448,528	1,572,047
Vocational . . . . .	237,756	-	12,004	249,760
Other . . . . .	10,336	-	2,181	12,517
Support services:				
Pupil . . . . .	472,566	-	-	472,566
Instructional staff . . . . .	162,756	-	5,176	167,932
Board of education . . . . .	16,293	-	-	16,293
Administration . . . . .	716,096	-	10,052	726,148
Fiscal . . . . .	260,722	6,368	1,083	268,173
Business. . . . .	29,081	-	-	29,081
Operations and maintenance . . . . .	760,297	-	127,487	887,784
Pupil transportation . . . . .	529,692	-	727	530,419
Central . . . . .	159,769	-	11,313	171,082
Operation of non-instructional services:				
Other non-instructional services . . . . .	16,100	-	1,592	17,692
Food service operations. . . . .	-	-	365,756	365,756
Extracurricular activities . . . . .	253,232	-	181,181	434,413
Facilities acquisition and construction. . . . .	-	-	4,906	4,906
Capital outlay . . . . .	255,252	-	192,965	448,217
Debt service:				
Principal retirement. . . . .	60,801	190,000	24,090	274,891
Interest and fiscal charges . . . . .	649	56,363	4,299	61,311
Total expenditures . . . . .	<u>10,394,324</u>	<u>252,731</u>	<u>1,448,376</u>	<u>12,095,431</u>
Excess expenditures over revenues . . . . .	<u>(186,138)</u>	<u>29,062</u>	<u>(323,826)</u>	<u>(480,902)</u>
<b>Other financing sources:</b>				
Sale of assets. . . . .	25,027	-	-	25,027
Capital lease transaction . . . . .	255,252	-	192,965	448,217
Total other financing sources . . . . .	<u>280,279</u>	<u>-</u>	<u>192,965</u>	<u>473,244</u>
Net change in fund balances . . . . .	94,141	29,062	(130,861)	(7,658)
<b>Fund balances at beginning of year . . . . .</b>	<u>1,080,838</u>	<u>407,821</u>	<u>596,430</u>	<u>2,085,089</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,174,979</u>	<u>\$ 436,883</u>	<u>\$ 465,569</u>	<u>\$ 2,077,431</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, 2015

<b>Net change in fund balances - total governmental funds</b>	\$	(7,658)
<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.		
Capital asset additions	\$ 463,216	
Current year depreciation	<u>(732,334)</u>	
Total		(269,118)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(13,715)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(8,366)	
Income taxes	76,843	
Intergovernmental	<u>81,180</u>	
Total		149,657
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		274,891
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(448,217)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,644	
Accreted interest on capital appreciation bonds	(31,881)	
Amortization of bond premiums	9,722	
Amortization of deferred charges	<u>(3,829)</u>	
Total		(24,344)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		730,993
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(507,934)
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>66,927</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(48,518)</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, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,981,285	\$ 2,051,761	\$ 2,057,821	\$ 6,060
Income taxes. . . . .	1,044,547	1,081,703	1,084,898	3,195
Tuition. . . . .	430,073	445,372	446,687	1,315
Transportation fees. . . . .	14,720	15,244	15,289	45
Earnings on investments . . . . .	5,043	5,223	5,238	15
Rental income . . . . .	264	274	274	-
Contributions and donations . . . . .	1,203	1,245	1,249	4
Contract services. . . . .	5,401	5,593	5,610	17
Other local revenues . . . . .	916	948	951	3
Intergovernmental - state . . . . .	6,150,800	6,369,592	6,388,405	18,813
Intergovernmental - federal . . . . .	2,266	2,347	2,354	7
<b>Total revenues . . . . .</b>	<u>9,636,518</u>	<u>9,979,302</u>	<u>10,008,776</u>	<u>29,474</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,956,959	5,281,733	5,281,553	180
Special. . . . .	1,047,811	1,116,424	1,116,424	-
Vocational. . . . .	222,955	238,955	237,555	1,400
Other. . . . .	9,070	9,664	9,664	-
Support services:				
Pupil. . . . .	446,990	476,260	476,260	-
Instructional staff . . . . .	160,333	170,832	170,832	-
Board of education . . . . .	14,852	15,825	15,825	-
Administration. . . . .	696,958	742,596	742,596	-
Fiscal . . . . .	255,678	272,420	272,420	-
Business . . . . .	28,930	30,824	30,824	-
Operations and maintenance. . . . .	745,193	807,739	793,990	13,749
Pupil transportation . . . . .	576,476	614,225	614,225	-
Central. . . . .	153,355	163,397	163,397	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	9,834	10,478	10,478	-
Extracurricular activities. . . . .	238,168	253,764	253,764	-
<b>Total expenditures . . . . .</b>	<u>9,563,562</u>	<u>10,205,136</u>	<u>10,189,807</u>	<u>15,329</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>72,956</u>	<u>(225,834)</u>	<u>(181,031)</u>	<u>44,803</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	39,037	39,037	39,037	-
Sale of capital assets . . . . .	25,027	25,027	25,027	-
<b>Total other financing sources . . . . .</b>	<u>64,064</u>	<u>64,064</u>	<u>64,064</u>	<u>-</u>
Net change in fund balance . . . . .	137,020	(161,770)	(116,967)	44,803
<b>Fund balance at beginning of year . . . . .</b>	1,302,984	1,302,984	1,302,984	-
<b>Prior year encumbrances appropriated . . . . .</b>	63,562	63,562	63,562	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,503,566</u>	<u>\$ 1,204,776</u>	<u>\$ 1,249,579</u>	<u>\$ 44,803</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 370,183	\$ 19,511
Total assets. . . . .	370,183	\$ 19,511
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,621
Due to students . . . . .	-	17,890
Total liabilities . . . . .	-	\$ 19,511
<b>Net position:</b>		
Held in trust for scholarships . . . . .	370,183	
Total net position. . . . .	\$ 370,183	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 1,630
Gifts and contributions. . . . .	48,700
Total additions. . . . .	50,330
 <b>Deductions:</b>	
Scholarships awarded . . . . .	41,813
Change in net position . . . . .	8,517
<b>Net position at beginning of year. . . . .</b>	<b>361,666</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 370,183</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, 2015**

**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. The lease is continuing for \$1.00 per year. The District employs 50 non-certified and 76 certified (including administrative) full-time and part-time employees to provide services to 994 students in grades Pre-K through 12 and various electronic/community schools.

**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'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* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendment of GASB Statements No. 14 and No. 34*. 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 criterion, 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  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

North Coast Council of Governments (NCC) (formerly LEECA and LNOCA)

North Coast Council of Governments is a jointly governed organization comprised of school districts located throughout northeast Ohio. The jointly governed organization was formed for the purpose of providing and maintaining technology software and delivery to the administrative and instructional functions of member districts. Each of the member districts support NCC based upon a per pupil charge, dependent upon the software package utilized. NCC assembly consists of a superintendent or designated representative from each participating district and a representative from the Treasurer Conservatorship Committee. NCC is governed by a Board of Directors chosen from the general membership of the NCC assembly. The Board of Directors consist of a representative from the fiscal agent, Four "at-large" representatives as selected by the assembly, the designated representative from the Treasurer Conservatorship Committee, the Executive Director and Treasurer shall be ex-officio members of the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Cuyahoga County, which serves as fiscal agent, located at 5811 Canal Road, Valley View, Ohio 44125.

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 13.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 1325. for further information on this group rating plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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 fund.

*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 deferred outflows of resources compared to liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Bond retirement fund - The bond retirement fund is used to account for the retirement of bonds

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 managed activities.

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

Government-wide Financial Statements - The statement of net position 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  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

*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 deferred outflows of resources along with current liabilities and deferred inflows of resources 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  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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 8). Revenue from income taxes is recognized in the period in which the income is earned (See Note 9). 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.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. 28Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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 2015 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 needs for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
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 2015.
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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 2015. 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.

During fiscal year 2015, 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 2015 amounted to \$5,536, which includes \$2,300 assigned from other District funds.

An analysis of the District's investment account at year end is provided in Note 5.

**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 expended/expensed when used. Inventories are accounted for using the consumption method which means that the cost of inventory items are recorded as an expenditure in the governmental funds when consumed.

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 position, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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:

Description	Governmental Activities Estimated Lives
Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 30 years
Vehicles	5 - 10 years

**I. Interfund Balance**

On the governmental fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivable/payable.” These amounts are eliminated in the governmental activities column on the statement of net position. The District had no interfund loans receivable/payable at June 30, 2015.

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities columns on the statement of net position.

**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, 2015, 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 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, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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 "matured 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 and capital leases are recognized as a liability on the fund financial statements when due.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Position**

Net Position represents the difference between assets and deferred outflows of resource compared to liabilities and deferred inflows of resources. Net investment in capital assets consists 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position 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, 2015.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**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.

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

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 a deferred outflow of resources on government-wide statement of net position.

On the governmental fund financial statements, bond premiums are recognized in the current period.

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**S. 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 2015, the District had no transactions that would be classified as extraordinary or special items.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the District has implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27”, GASB Statement No. 69 “Government Combinations and Disposals of Government Operations”, and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District’s financial statements, the pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented on pages 58 through 64.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	
Deferred outflows - payments	\$ 14,873,914
subsequent to measurement date	709,331
Net pension liability	(14,227,589)
Restated net position at July 1, 2014	\$ 1,355,656

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 - ACCOUNTABILITY**

**Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 1,528
Vocational education enhancement	26
IDEA Part B	25,267
Title I	27,463
IDEA Part B-Preschool stimulus	24
Improving teacher quality	7,830

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

**NOTE 5 - 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.

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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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 (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.

**A. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$2,639,968. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$2,172,730 of the District's bank balance of \$2,672,730 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**B. Investments**

The District had no investments at June 30, 2015.

**C. Reconciliation of Cash and Investments to the Statement of Activities**

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 position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,639,968
Total	<u>\$ 2,639,968</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,250,274
Private-purpose trust funds	370,183
Agency funds	<u>19,511</u>
Total	<u>\$ 2,639,968</u>

**NOTE 6 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2015, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 40,026</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were requested but were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants. 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 principal items of receivables reported on the statement of net position follows:

<b>Governmental activities:</b>	
Property taxes	\$ 2,612,224
Income taxes	442,784
Accounts	22,463
Accrued interest	493
Intergovernmental	<u>152,345</u>
Total	<u>\$ 3,230,309</u>

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

**NOTE 8 - 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 and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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.

The District receives property taxes from Huron, Lorain and Ashland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$402,729 in the general fund, \$45,059 in the bond retirement fund and \$7,462 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$277,294 in the general fund, \$31,855 in the bond retirement fund and \$5,271 in the classroom facilities maintenance fund (a nonmajor governmental 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.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 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 deferred inflows.

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 reported as a deferred inflow.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 89,434,600	97.53	\$ 100,423,970	96.45
Public utility personal	<u>2,267,740</u>	<u>2.47</u>	<u>3,697,800</u>	<u>3.55</u>
Total	<u>\$ 91,702,340</u>	<u>100.00</u>	<u>\$ 104,121,770</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.25		\$ 34.25	

**NOTE 9 - SCHOOL DISTRICT INCOME TAX**

The District has authorized, through voter approval, an annual 1 percent 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 2015, was \$1,066,742.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/15</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 315,751	\$ -	\$ -	\$ 315,751
Total capital assets, not being depreciated	<u>315,751</u>	<u>-</u>	<u>-</u>	<u>315,751</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,635,846	-	-	1,635,846
Building and improvements	21,221,413	192,965	-	21,414,378
Furniture and equipment	1,514,197	14,999	(8,335)	1,520,861
Vehicles	895,838	255,252	(101,621)	1,049,469
Total capital assets, being depreciated	<u>25,267,294</u>	<u>463,216</u>	<u>(109,956)</u>	<u>25,620,554</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,197,818)	(79,390)	-	(1,277,208)
Building and improvements	(7,446,268)	(541,557)	-	(7,987,825)
Furniture and equipment	(1,155,268)	(70,573)	4,782	(1,221,059)
Vehicles	(690,856)	(40,814)	91,459	(640,211)
Total accumulated depreciation	<u>(10,490,210)</u>	<u>(732,334)</u>	<u>96,241</u>	<u>(11,126,303)</u>
Governmental activities capital assets, net	<u>\$ 15,092,835</u>	<u>\$ (269,118)</u>	<u>\$ (13,715)</u>	<u>\$ 14,810,002</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 558,874
Vocational	57,460
<u>Support service:</u>	
Instructional staff	14,449
Administration	857
Operations and maintenance	4,333
Pupil transportation	41,569
Extracurricular activities	21,437
Food service operations	<u>33,355</u>
Total depreciation expense	<u>\$ 732,334</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE**

During the current fiscal year and a prior fiscal year, the District entered into capitalized leases for a van, buses and HVAC systems. These lease agreements meet the criteria of a capital lease as defined by GASB Statement No. 62, 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 vehicles and building improvements have been capitalized in the amount of \$487,617, with a salvage value of \$29,464. 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 2015 totaled \$60,801 paid by the general fund and \$24,090 paid by the classroom facilities maintenance fund (a nonmajor governmental fund). Accumulated depreciation totaled \$32,735 resulting in a net book value of \$454,882 at June 30, 2015.

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, 2015:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2016	\$ 104,033
2017	96,684
2018	96,686
2019	96,686
2020	<u>14,195</u>
Total minimum lease payment	408,284
Less: amount representing interest	<u>(31,243)</u>
Present value of minimum lease payments	<u>\$ 377,041</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Changes in Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2015 were as follows. The long-term obligations at June 30, 2014 have been restated as described in Note 3.

<u>Governmental Activities:</u>	(Restated) Balance 06/30/14	Increases	Decreases	Balance 06/30/15	Amount Due Within One Year
<u>General Obligation Bonds</u>					
School Facilities Refunding, Series 2007					
Capital Appreciation Bonds - 11.00%	\$ 139,971	\$ -	\$ -	\$ 139,971	\$ -
Current Interest	1,510,000	-	(190,000)	1,320,000	200,000
Accreted Interest	143,711	31,881	-	175,592	-
	<u>1,793,682</u>	<u>31,881</u>	<u>(190,000)</u>	<u>1,635,563</u>	<u>200,000</u>
Total general obligation bonds					
Capital Lease Obligation	13,715	448,217	(84,891)	377,041	91,473
Net Pension Liability	14,227,589	-	(2,253,448)	11,974,141	-
Compensated Absences	753,368	12,815	(62,628)	703,555	29,929
	<u>16,788,354</u>	<u>492,913</u>	<u>(2,590,967)</u>	<u>14,690,300</u>	<u>\$ 321,402</u>
Total Long-Term Obligations					
Add: Unamortized premiums				<u>72,109</u>	
Total on statement of net position				<u>\$ 14,762,409</u>	

**B. General Obligation Bonds**

School Facilities Refunding, Series 2007 - 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 position.

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 percent to 4.00 percent. The capital appreciation bonds mature on December 1, 2017 and December 1, 2018, (effective interest 4.05 percent to 4.15 percent) at a redemption price equal to 100 percent 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 \$175,592 has been included in the statement of net position. 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 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal Year Ending June 30.	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 200,000	\$ 48,800	\$ 248,800	\$ -	\$ -	\$ -
2017	205,000	40,700	245,700	-	-	-
2018	-	36,600	36,600	73,730	141,270	215,000
2019	-	36,600	36,600	66,241	148,759	215,000
2020	215,000	32,300	247,300	-	-	-
2021 - 2023	700,000	42,600	742,600	-	-	-
Total	<u>\$ 1,320,000</u>	<u>\$ 237,600</u>	<u>\$ 1,557,600</u>	<u>\$ 139,971</u>	<u>\$ 290,029</u>	<u>\$ 430,000</u>

**C. 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 11.

See Note 14 for detail of the net pension liability.

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent 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 percent 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, 2015, are a voted debt margin of \$8,347,871 (including available funds of \$436,883) and an unvoted debt margin of \$104,122.

**NOTE 13 - 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. All vehicles are insured with SORSA. All board members, administrators and employees are covered under a school district liability policy with SORSA. The limits of this coverage are \$15,000,000 per occurrence and \$17,000,000 aggregate.

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**NOTE 13 - RISK MANAGEMENT - (Continued)**

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 2015.

**B. Employee Dishonesty Bonds**

The Treasurer is covered by a \$100,000 surety bond through CAN Surety (Boales Insurance Agent, Inc. Ashland Ohio). The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$100,000.

**C. Workers' Compensation**

For fiscal year 2015, 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 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.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$161,558 for fiscal year 2015. Of this amount \$13,035 is reported as pension obligation payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$569,435 for fiscal year 2015. Of this amount, \$99,364 is reported as pension obligation payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,220,691	\$ 9,753,450	\$ 11,974,141
Proportion of the net pension liability	0.04387900%	0.04009894%	
Pension expense	\$ 129,592	\$ 378,342	\$ 507,934

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 18,900	\$ 93,898	\$ 112,798
District contributions subsequent to the measurement date	<u>161,558</u>	<u>569,435</u>	<u>730,993</u>
Total deferred outflows of resources	<u>\$ 180,458</u>	<u>\$ 663,333</u>	<u>\$ 843,791</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 360,424</u>	<u>\$ 1,804,425</u>	<u>\$ 2,164,849</u>
Total deferred inflows of resources	<u>\$ 360,424</u>	<u>\$ 1,804,425</u>	<u>\$ 2,164,849</u>

\$730,993 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (85,381)	\$ (427,631)	\$ (513,012)
2017	(85,381)	(427,631)	(513,012)
2018	(85,381)	(427,631)	(513,012)
2019	<u>(85,381)</u>	<u>(427,634)</u>	<u>(513,015)</u>
Total	<u>\$ (341,524)</u>	<u>\$ (1,710,527)</u>	<u>\$ (2,052,051)</u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,168,266	\$ 2,220,691	\$ 1,423,699

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 13,963,127	\$ 9,753,450	\$ 6,193,480

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$21,436.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$32,452, \$24,204, and \$24,765, respectively. For fiscal year 2015, 89.30 percent has been contributed, with the balance being reported as pension obligation payable. The full amount has been contributed for fiscal years 2014 and 2013.

**B. State Teachers Retirement System**

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

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**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$41,580, and \$41,703 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (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 revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is 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);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget 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 is as follows:

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ (116,967)
Net adjustment for revenue accruals	83,917
Net adjustment for expenditure accruals	(39,125)
Net adjustment for other sources/uses	216,215
Funds budgeted elsewhere	5,915
Adjustment for encumbrances	<u>(55,814)</u>
GAAP basis	<u>\$ 94,141</u>

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**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, emergency levy fund, other grants fund and the public school support fund.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from Federal and State 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 General Fund or other applicable funds.

**B. Litigation**

The District is not currently party to legal proceedings.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has made one of the two enrollment adjustments to the June 30, 2015 Foundation funding for the District (reporting an accounts payable of \$10,723); therefore, the financial statement impact of the second adjustment is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 18 - SET-ASIDES - (Continued)**

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	171,559
Current year qualifying expenditures	(142,817)
Current year offsets	<u>(81,269)</u>
Total	<u>\$ (52,527)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

In prior fiscal years, the District issued \$2,130,000 in classroom facilities general obligation bonds. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$2,130,000 at June 30, 2015.

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 31,089
Other governmental	<u>12,878</u>
Total	<u>\$ 43,967</u>

**NOTE 20 - SUBSEQUENT EVENT**

On August 1, 2015, Jim Hudson became the District's Treasurer.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.04387900%	0.04387900%
District's proportionate share of the net pension liability	\$ 2,220,691	\$ 2,609,343
District's covered-employee payroll	\$ 1,275,036	\$ 1,296,705
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	201.23%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS (1)

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.04009894%	0.04009894%
District's proportionate share of the net pension liability	\$ 9,753,450	\$ 11,618,246
District's covered-employee payroll	\$ 4,097,008	\$ 4,170,308
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	278.59%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

(1) Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 161,558	\$ 176,720	\$ 179,464	\$ 170,082
Contributions in relation to the contractually required contribution	<u>(161,558)</u>	<u>(176,720)</u>	<u>(179,464)</u>	<u>(170,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,225,781	\$ 1,275,036	\$ 1,296,705	\$ 1,264,550
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 158,741	\$ 163,798	\$ 112,464	\$ 106,386	\$ 114,297	\$ 122,832
<u>(158,741)</u>	<u>(163,798)</u>	<u>(112,464)</u>	<u>(106,386)</u>	<u>(114,297)</u>	<u>(122,832)</u>
<u>\$ -</u>					
\$ 1,262,856	\$ 1,209,734	\$ 1,142,927	\$ 1,083,360	\$ 1,070,197	\$ 1,160,983
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 569,435	\$ 532,611	\$ 542,140	\$ 549,584
Contributions in relation to the contractually required contribution	<u>(569,435)</u>	<u>(532,611)</u>	<u>(542,140)</u>	<u>(549,584)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,067,393	\$ 4,097,008	\$ 4,170,308	\$ 4,227,569
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 550,951	\$ 539,081	\$ 546,898	\$ 513,015	\$ 528,736	\$ 523,418
<u>(550,951)</u>	<u>(539,081)</u>	<u>(546,898)</u>	<u>(513,015)</u>	<u>(528,736)</u>	<u>(523,418)</u>
<u>\$ -</u>					
\$ 4,238,085	\$ 4,146,777	\$ 4,206,908	\$ 3,946,269	\$ 4,067,200	\$ 4,026,292
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
<b>Passed through Ohio Department of Education</b>			
<i>Child Nutrition Cluster</i>			
National School Breakfast Program	10.553	\$ 33,257	\$ 0
National School Lunch Program-See Note 2	10.555	<u>160,657</u>	<u>17,211</u>
<i>Total Child Nutrition Cluster</i>		<u>193,914</u>	<u>17,211</u>
<b>Total U.S. Department of Agriculture</b>		<u>193,914</u>	<u>17,211</u>
<b><u>U.S. Department of Education</u></b>			
<b>Passed through Ohio Department of Education</b>			
<i>Title I Grant Cluster:</i>			
Title I - Grants to Local Educational Agencies	84.010	<u>207,740</u>	<u>0</u>
<i>Total Title I Grant Cluster</i>		<u>207,740</u>	<u>0</u>
<i>Special Education Cluster:</i>			
Special Education Grants to States - IDEA, Part B	84.027	<u>209,130</u>	<u>0</u>
<i>Total Special Education Cluster</i>		<u>209,130</u>	<u>0</u>
Early Childhood Special Education, IDEA	84.173	<u>5,350</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	<u>45,870</u>	<u>0</u>
<b>Total U.S. Department of Education</b>		<u>468,090</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 662,004</u>	<u>\$ 17,211</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2015**

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE 2: CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE 3: FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

**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  
New London, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the New London Local School District, Ohio's basic financial statements and have issued our report thereon dated December 2, 2015, wherein we noted the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its July 1, 2014 net position.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the New London Local School District, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New London Local School District, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the New London Local School District, Ohio's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as **Finding No. 2015-001**.

## **Compliance and Other Matters**

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

## **New London Local School District's Response to Finding**

New London Local School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

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

James G. Zupka,  
CPA, President

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CPA, President  
DN: cn=James G. Zupka, CPA,  
President, o=James G. Zupka, CPA, Inc.,  
ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2015.12.22 15:11:55 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 2, 2015

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Board of Education  
New London Local School District  
New London, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on Compliance for Each Major Federal Program**

We have audited the New London Local School District, Huron County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the New London Local School District, Ohio's major federal program for the year ended June 30, 2015. The New London Local School District, Ohio's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the New London Local School District, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the New London Local School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the New London Local School District, Ohio's compliance.

## ***Opinion on the Major Federal Program***

In our opinion, the New London Local School District, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the New London Local School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the New London Local School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the New London Local School District, Ohio's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,  
CPA, President

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Date: 2015.12.22 15:12:22 -0500

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 2, 2015

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Program's Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list):  Child Nutrition Cluster: National School Breakfast Program - CFDA # 10.553 National School Lunch Program - CFDA # 10.555	
2015(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2015(ix)	Low Risk Auditee?	Yes

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2015  
(CONTINUED)**

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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding 2015-001 - Significant Deficiency - GAAP Reporting**

Condition/Criteria

Financial reporting is the responsibility of the Treasurer's Office and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the annual financial statement preparation process, we identified the following errors on the financial statements.

1. Overstatement of property taxes receivable and deferred inflows of resources of \$1,069,485, due to budgeted income tax revenue being recorded inadvertently as property tax receivable.
2. Understatement of long-term liabilities of \$168,875 and capital assets of \$192,965 due to a capital lease not being properly recorded.
3. Overstatement of accrued wages and benefits of \$116,144, due to insurance benefits paid within the of month when payment is due.
4. Reclassifications to program revenue in the amount of \$165,874, to properly record revenue activity.
5. Reclassification of fund balance of \$135,061, to properly record the FY16 budgetary amount.
6. Understatement of due from other governments and deferred inflows or resources of \$54,924 due to FY15 grant activity not being properly recorded.
7. Overstatement of depreciation expense of \$62,327, due to an error in the current year depreciation calculation.

Cause/Effect

The material audit adjustments to the financial statements were a result of errors due to inaccurate GAAP accounting posting to the financial statements.

The adjustments have been corrected on the audited financial statements.

Recommendation

We recommend that the District implement policies and procedures for controls over the recording of year-end financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the District financial activity and thereby increasing the reliability of the financial data at year-end. Although the District contracted with a third party to perform its GAAP conversion, we recommend that the District's management review the financial statements to ensure all items are properly recorded.

Client Response

District is currently in the process of reviewing its current procedures in preparing GAAP financial statements and will implement the necessary changes to improve the process.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**NEW LONDON LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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The prior audit report, as of June 30, 2014, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit report.

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# Dave Yost • 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  
MARCH 17, 2016**