

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007***

**GINA BLACKMAN, TREASURER**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the New London Local School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 17, 2008

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

*Serving Ohio Local Governments*

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### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New London Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise New London Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of New London Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New London Local School District, Huron County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparisons for the General fund and Classroom Facilities Maintenance special revenue fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007 on our consideration of New London Local School District'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New London Local School District's basic financial statements. The accompanying schedule of receipts and 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 not a required part of the basic financial statements of New London Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.  
December 7, 2007



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$512,710 which represents a 3.67% increase from 2006.
- General revenues accounted for \$8,505,673 in revenue or 80.75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,027,103 or 19.25% of total revenues of \$10,532,776.
- The District had \$10,020,066 in expenses related to governmental activities; \$2,027,103 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,505,673 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities maintenance fund. The general fund had \$9,062,356 in revenues and other financing sources and \$8,273,054 in expenditures. During fiscal year 2007, the general fund's fund balance increased \$789,302 from \$757,785 to \$1,547,087.
- The classroom facilities maintenance fund had \$122,729 in revenues and \$79,486 in expenditures. During fiscal year 2007, the classroom facilities maintenance fund's fund balance increased \$43,243 from \$602,220 to \$645,463.

**Using these Basic Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

**The District as a Whole**

The table below provides a summary of the District's net assets for fiscal year 2007 and 2006.

	<b>Net Assets</b>	
	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 5,924,099	\$ 5,168,485
Capital assets, net	<u>14,991,465</u>	<u>15,483,593</u>
Total assets	<u>20,915,564</u>	<u>20,652,078</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,932,427	2,896,275
Long-term liabilities	<u>3,507,290</u>	<u>3,792,666</u>
Total liabilities	<u>6,439,717</u>	<u>6,688,941</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	12,313,422	12,706,524
Restricted	1,183,338	1,140,586
Unrestricted	<u>979,087</u>	<u>116,027</u>
Total net assets	<u>\$ 14,475,847</u>	<u>\$ 13,963,137</u>

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

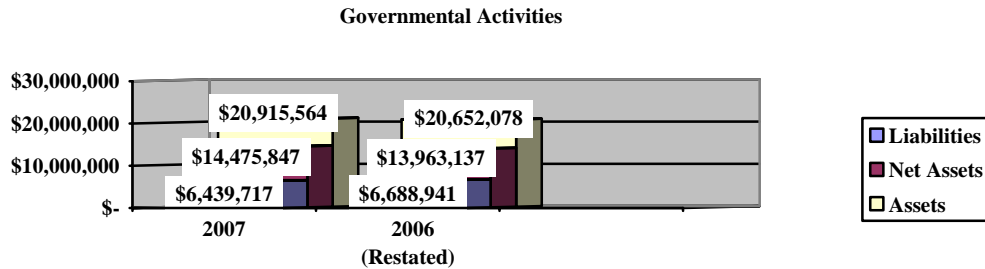
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$14,475,847. Of this total, \$979,087 is unrestricted in use.

At year-end, capital assets represented 71.68% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$12,313,422. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,183,338, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$979,087 may be used to meet the District's ongoing obligations to the students and creditors.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2007 and 2006:



The table below shows the change in net assets for fiscal years 2007 and 2006.

**Change in Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 909,915	\$ 986,314
Operating grants and contributions	1,108,185	669,344
Capital grants and contributions	9,003	11,776
General revenues:		
Property taxes	2,146,126	1,887,252
School District income tax	1,025,352	925,618
Grants and entitlements	5,168,655	5,518,304
Investment earnings	165,540	111,677
<b>Total revenues</b>	<b>10,532,776</b>	<b>10,110,285</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,721,004	\$ 5,156,646
Special	896,119	986,999
Vocational	365,970	379,213
Adult/continuing	10,857	11,206
Other	65,099	24,186
Support services:		
Pupil	295,640	323,277
Instructional staff	530,053	520,671
Board of education	17,068	13,761
Administration	710,252	713,704
Fiscal	233,542	226,137
Business	6,478	5,834
Operations and maintenance	769,200	787,167
Pupil transportation	453,992	449,007
Food service operations	373,296	399,545
Operations of other non-instructional services	1,905	255
Extracurricular activities	389,604	389,449
Intergovernmental pass-through	6,768	618
Interest and fiscal charges	<u>173,219</u>	<u>174,000</u>
Total expenses	<u>10,020,066</u>	<u>10,561,675</u>
Change in net assets	<u>512,710</u>	<u>(451,390)</u>
Beginning Balance (Restated)	<u>13,963,137</u>	<u>14,414,527</u>
Ending Balance	<u>\$ 14,475,847</u>	<u>\$ 13,963,137</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$512,710. Total governmental expenses of \$10,020,066 were offset by program revenues of \$2,027,103, and general revenues of \$8,505,673. Program revenues supported 20.23% of the total governmental expenses.

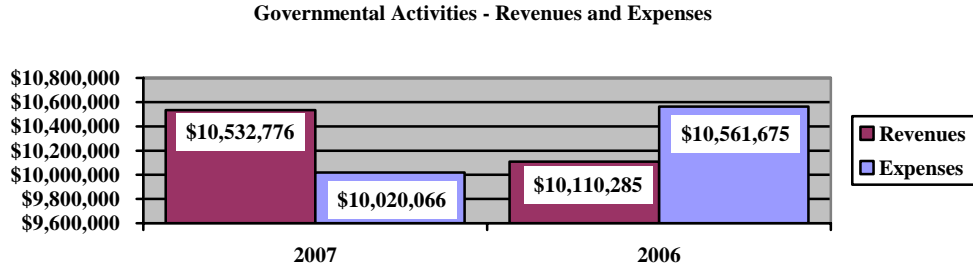
The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 79.18% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,059,049 or 60.47% of total governmental expenses for fiscal year 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 or 2006.



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>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,721,004	\$ 4,166,297	\$ 5,156,646	\$ 4,548,270
Special	896,119	248,587	986,999	680,153
Vocational	365,970	313,476	379,213	375,202
Adult/continuing	10,857	10,857	11,206	11,206
Other	65,099	65,099	24,186	24,186
Support services:				
Pupil	295,640	290,013	323,277	319,918
Instructional staff	530,053	459,192	520,671	459,964
Board of education	17,068	17,068	13,761	13,761
Administration	710,252	701,273	713,704	703,491
Fiscal	233,542	230,168	226,137	225,989
Business	6,478	6,478	5,834	5,789
Operations and maintenance	769,200	728,718	787,167	780,205
Pupil transportation	453,992	444,989	449,007	449,007
Operations of non-instructional services:				
Food service operations	373,296	(13,100)	399,545	(11,923)
Other non-instructional services	1,905	(37)	255	255
Extracurricular activities	389,604	143,898	389,449	134,150
Intergovernmental pass-through	6,768	6,768	618	618
Interest and fiscal charges	<u>173,219</u>	<u>173,219</u>	<u>174,000</u>	<u>174,000</u>
<b>Total expenses</b>	<u>\$ 10,020,066</u>	<u>\$ 7,992,963</u>	<u>\$ 10,561,675</u>	<u>\$ 8,894,241</u>

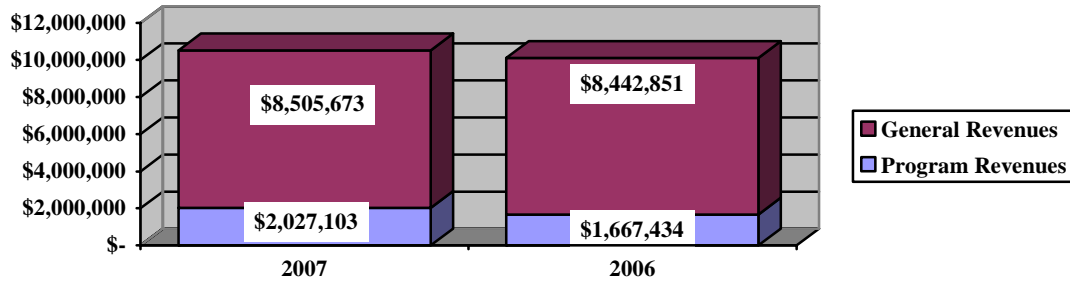
The dependence upon tax and other general revenues for governmental activities is apparent, 79.29% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.77%. The District's taxpayers and unrestricted grants and 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, 2007**

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006:

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,786,453, which is higher than last year's total of \$1,936,668. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase (Decrease)	Percentage <u>Change</u>
General	\$ 1,547,087	\$ 757,785	\$ 789,302	104.16 %
Classroom Facilities Maintenance	645,463	602,220	43,243	7.18 %
Other Governmental	<u>593,903</u>	<u>576,663</u>	<u>17,240</u>	2.99 %
Total	<u>\$ 2,786,453</u>	<u>\$ 1,936,668</u>	<u>\$ 849,785</u>	43.88 %

**General Fund**

The District's general fund balance increased \$789,302. In fiscal year 2007, income tax revenue and earnings on investments increased from 2006. In addition, the District was able to reduce expenditures for instructional programs which is the District's largest expenditure line item.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,897,608	\$ 2,517,798	\$ 379,810	15.09 %
Earnings on investments	121,021	79,130	41,891	52.94 %
Intergovernmental	5,512,177	5,486,264	25,913	0.47 %
Other revenues	<u>397,532</u>	<u>463,146</u>	<u>(65,614)</u>	(14.17) %
<b>Total</b>	<b><u>\$ 8,928,338</u></b>	<b><u>\$ 8,546,338</u></b>	<b><u>\$ 382,000</u></b>	<b>4.47 %</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 5,025,486	\$ 5,327,425	\$ (301,939)	(5.67) %
Support services	2,872,310	2,904,058	(31,748)	(1.09) %
Extracurricular activities	193,876	194,140	(264)	(0.14) %
Facilities acquisition and construction	5,100	2,593	2,507	96.68 %
Capital outlay	73,868	-	73,868	100.00 %
Debt service	<u>102,414</u>	<u>39,038</u>	<u>63,376</u>	162.34 %
<b>Total</b>	<b><u>\$ 8,273,054</u></b>	<b><u>\$ 8,467,254</u></b>	<b><u>\$ (194,200)</u></b>	<b>(2.29) %</b>

The largest percentage change in revenues from fiscal 2006 to fiscal 2007 was earnings on investments. This was due to an increase in the interest on some of the investments held by the District. The most significant percentage changes in the expenditures was the capital outlay and debt service expenditures. Capital outlay increased 100% due to a new capital lease the District entered into during fiscal 2007. The District retired an old lease in addition to entering into a new lease, which increased debt service expenditures. In addition, the District's income tax revenues increased approximately \$100,000 from the prior year while instruction expenditures decreased 5.67% from 2006. The decrease in expenditures is the result of cost cutting measures implemented by the District in fiscal year 2005 and 2006 including staff reductions and employees paying a higher portion of the District's health insurance premium.

***Classroom Facilities Maintenance Fund***

The classroom facilities maintenance fund had \$122,729 in revenues and \$79,486 in expenditures. During fiscal year 2007, the classroom facilities maintenance fund's fund balance increased \$43,243 from \$602,220 to \$645,463.

***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 funds are the general fund and the classroom facilities maintenance fund.

During the course of fiscal 2007, the District did not amend the general fund budget. The original and final budgeted revenues and other financing sources were \$8,992,531. Actual revenues and other financing sources for fiscal 2007 was \$8,920,203. This represents a \$72,328 decrease over final budgeted revenues.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

General fund original and final appropriations (appropriated expenditures including other financing uses) totaled \$8,748,428. The actual budget basis expenditures for fiscal year 2007 totaled \$8,625,526, which was \$122,902 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2007, the District had \$14,991,465 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 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	Restated 2006
Land	\$ 285,043	\$ 285,043
Land improvements	929,933	1,001,823
Building and improvements	13,082,871	13,643,560
Furniture and equipment	550,029	446,184
Vehicles	143,589	106,983
Total	\$ 14,991,465	\$ 15,483,593

The overall decrease in capital assets of \$492,128 is due to depreciation expense of \$700,514 and disposals of \$6,880 (net of accumulated depreciation) exceeding capital outlay of \$215,266 in the fiscal year.

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

*Debt Administration*

At June 30, 2007, the District had \$2,736,469 in general obligation bonds, \$6,230 in asbestos abatement loans and \$136,140 in capital leases outstanding. Of this total, \$181,649 is due within one year and \$2,697,190 is due within greater than one year. The following table summarizes the bonds, loans and capital leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2007	2006
General obligation bonds	\$ 2,736,469	\$ 2,838,299
Asbestos abatement loans	6,230	13,230
Capital leases	136,140	93,166
Total	\$ 2,878,839	\$ 2,944,695

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

At June 30, 2007, the District's overall legal debt margin was \$6,213,970, and an unvoted debt margin of \$93,701.

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

**Current Financial Related Activities**

The District has struggled financially in recent years until a dramatic increase in our student count in fiscal year 2006. Prior to that, some of our financial facts are: the District built a new K-12 school building through the Ohio School Facilities Commission (OSFC) and local funding and occupied the new building in September, 2001. Some costs incurred as part of this building project that had to be paid from local funds. The District was required by OSFC to purchase the 80 acres of land for the new building. In addition, the Board offices were not included in the OSFC plan and had to be built and financed by the District. The District's utility costs have tripled in the new building due to added lighting, air conditioning and other OSFC building specifications. These additional expenses caused a decline in the carryover balances until fiscal year 2006. In past years, the District's revenues have been fairly flat – somewhat due to the downward turn in the economy, but also due to State budget cuts and a flat or declining enrollment until fiscal year 2006. The District participates in open enrollment, which allows students to come in or leave the District. The number of students coming into the District has always exceeded the number leaving.

The District put a 4.5 mill levy on the November, 2004, ballot, which was defeated. Because of this levy defeat, several cost-saving measures were put in place during the 2004-05 and the 2005-06 school years. Two staff members who retired at the end of the 2004-05 school year were not replaced and in that school year and in the 2005-06 school year other staff members who left or retired were replaced by less experienced personnel. The teaching and non-teaching staffs have both negotiated to pick up more of the cost of the health insurance for the District. Both groups have settled 3-year contracts, which will be in effect through the 2007-08 school year. By that time, the employee share of health insurance will be at 12%.

In fiscal year 2007, the District was ranked 103 on the District Ranking of OSFC Valuation per Pupil. What this means is that of the 614 school districts in Ohio, there are 511 schools who are wealthier than New London Local School District (based on property values). This is an amazing fact considering the success we have seen on our report card. We have received an Excellent rating on our report card for the last three years. Even though our resources are limited, we have made good use of those resources and have found success.

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 3,041,247
Receivables:	
Taxes. . . . .	2,767,303
Accounts. . . . .	16,050
Accrued interest. . . . .	1,089
Intergovernmental. . . . .	65,744
Materials and supplies inventory . . . . .	32,666
Capital assets:	
Land . . . . .	285,043
Depreciable capital assets, net . . . . .	14,706,422
Capital assets, net . . . . .	<u>14,991,465</u>
 Total assets. . . . .	 <u>20,915,564</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	55,813
Accrued wages and benefits . . . . .	675,093
Pension obligation payable. . . . .	201,992
Intergovernmental . . . . .	29,197
Unearned revenue . . . . .	1,962,441
Accrued interest payable . . . . .	7,891
Long-term liabilities:	
Due within one year. . . . .	241,892
Due in more than one year . . . . .	<u>3,265,398</u>
 Total liabilities . . . . .	 <u>6,439,717</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	12,313,422
Restricted for:	
Debt service. . . . .	325,125
State funded programs . . . . .	23,188
Federally funded programs. . . . .	12,892
Student activities . . . . .	63,286
Public school support . . . . .	43,713
Classroom facilities maintenance. . . . .	647,836
Other purposes . . . . .	67,298
Unrestricted. . . . .	<u>979,087</u>
 Total net assets . . . . .	 <u><u>\$ 14,475,847</u></u>

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, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,721,004	\$ 427,505	\$ 127,202	\$ -	\$ (4,166,297)
Special . . . . .	896,119	-	647,532	-	(248,587)
Vocational . . . . .	365,970	-	52,494	-	(313,476)
Adult/continuing . . . . .	10,857	-	-	-	(10,857)
Other . . . . .	65,099	-	-	-	(65,099)
Support services:					
Pupil . . . . .	295,640	-	5,627	-	(290,013)
Instructional staff . . . . .	530,053	-	70,861	-	(459,192)
Board of education . . . . .	17,068	-	-	-	(17,068)
Administration . . . . .	710,252	-	8,979	-	(701,273)
Fiscal . . . . .	233,542	-	3,374	-	(230,168)
Business . . . . .	6,478	-	-	-	(6,478)
Operations and maintenance . . . . .	769,200	-	40,482	-	(728,718)
Pupil transportation . . . . .	453,992	-	-	9,003	(444,989)
Operation of non-instructional services:					
Other non-instructional . . . . .	1,905	-	1,942	-	37
Food service operations . . . . .	373,296	236,704	149,692	-	13,100
Extracurricular activities . . . . .	389,604	245,706	-	-	(143,898)
Intergovernmental pass-through . . . . .	6,768	-	-	-	(6,768)
Interest and fiscal charges . . . . .	173,219	-	-	-	(173,219)
Total governmental activities . . . . .	\$ 10,020,066	\$ 909,915	\$ 1,108,185	\$ 9,003	(7,992,963)
 <b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					1,849,909
Special revenue . . . . .					50,271
Debt service . . . . .					245,946
School district income tax . . . . .					1,025,352
Grants and entitlements not restricted					
to specific programs . . . . .					5,168,655
Investment earnings . . . . .					165,540
Total general revenues . . . . .					8,505,673
Change in net assets . . . . .					
					512,710
<b>Net assets at beginning of year (restated) . . . . .</b>					13,963,137
<b>Net assets at end of year . . . . .</b>					\$ 14,475,847

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<b>General</b>	<b>Classroom Facilities Maintenance</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,761,157	\$ 627,938	\$ 584,854	\$ 2,973,949
Receivables:				
Taxes . . . . .	2,457,516	39,186	270,601	2,767,303
Accounts . . . . .	13,545	-	2,505	16,050
Accrued interest . . . . .	1,089	-	-	1,089
Intergovernmental . . . . .	-	-	65,744	65,744
Materials and supplies inventory . . . . .	-	-	32,666	32,666
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	67,298	-	-	67,298
<b>Total assets . . . . .</b>	<b>\$ 4,300,605</b>	<b>\$ 667,124</b>	<b>\$ 956,370</b>	<b>\$ 5,924,099</b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 41,005	\$ 707	\$ 14,101	\$ 55,813
Accrued wages and benefits . . . . .	607,554	-	67,539	675,093
Compensated absences payable . . . . .	53,950	-	-	53,950
Pension obligation payable. . . . .	183,655	-	18,337	201,992
Intergovernmental payable. . . . .	25,808	-	3,389	29,197
Deferred revenue. . . . .	125,082	2,373	31,705	159,160
Unearned revenue . . . . .	1,716,464	18,581	227,396	1,962,441
<b>Total liabilities . . . . .</b>	<b>2,753,518</b>	<b>21,661</b>	<b>362,467</b>	<b>3,137,646</b>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	158,060	4,172	32,315	194,547
Reserved for materials and supplies inventory. . . . .	-	-	32,666	32,666
Reserved for debt service . . . . .	-	-	289,811	289,811
Reserved for property tax unavailable for appropriation . . . . .	200,351	18,232	26,759	245,342
Reserved for school bus purchases . . . . .	9,003	-	-	9,003
Reserved for textbooks/instructional materials . . . . .	58,295	-	-	58,295
Unreserved, undesignated, reported in:				
General fund . . . . .	1,121,378	-	-	1,121,378
Special revenue funds. . . . .	-	623,059	212,352	835,411
<b>Total fund balances . . . . .</b>	<b>1,547,087</b>	<b>645,463</b>	<b>593,903</b>	<b>2,786,453</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 4,300,605</b>	<b>\$ 667,124</b>	<b>\$ 956,370</b>	<b>\$ 5,924,099</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances</b>		\$ 2,786,453
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,991,465
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 142,812	
Intergovernmental revenue	15,259	
Accrued interest	1,089	
		159,160
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(7,891)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(574,501)	
Capital lease obligations	(136,140)	
Asbestos loans	(6,230)	
General obligation bonds	(2,736,469)	
Total		(3,453,340)
<b>Net assets of governmental activities</b>		\$ 14,475,847

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, 2007

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,897,608	\$ 50,926	\$ 249,304	\$ 3,197,838
Tuition. . . . .	346,187	-	12,105	358,292
Earnings on investments. . . . .	121,021	31,275	13,424	165,720
Charges for services . . . . .	-	-	236,704	236,704
Extracurricular. . . . .	-	-	245,706	245,706
Classroom materials and fees . . . . .	38,992	-	-	38,992
Other local revenues. . . . .	12,353	-	17,868	30,221
Intergovernmental - state . . . . .	5,505,481	40,528	197,653	5,743,662
Intergovernmental - federal . . . . .	6,696	-	520,226	526,922
Total revenue . . . . .	<u>8,928,338</u>	<u>122,729</u>	<u>1,492,990</u>	<u>10,544,057</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,994,367	-	211,154	4,205,521
Special. . . . .	595,640	-	305,732	901,372
Vocational. . . . .	360,927	-	4,477	365,404
Adult/continuing . . . . .	10,857	-	-	10,857
Other. . . . .	63,695	-	-	63,695
Support services:				
Pupil. . . . .	293,431	-	2,584	296,015
Instructional staff . . . . .	453,284	-	73,346	526,630
Board of education . . . . .	17,068	-	-	17,068
Administration. . . . .	713,149	880	14,283	728,312
Fiscal . . . . .	229,197	-	3,134	232,331
Business . . . . .	-	-	3,368	3,368
Operations and maintenance. . . . .	676,882	78,606	-	755,488
Pupil transportation . . . . .	489,299	-	-	489,299
Operation of non-instructional services:				
Other non-instructional services. . . . .	-	-	1,905	1,905
Food service operations . . . . .	-	-	366,546	366,546
Extracurricular activities. . . . .	193,876	-	195,986	389,862
Facilities acquisition and construction . . . . .	5,100	-	15,369	20,469
Capital outlay . . . . .	73,868	-	-	73,868
Intergovernmental pass through . . . . .	-	-	6,768	6,768
Debt service:				
Principal retirement . . . . .	90,994	-	142,000	232,994
Interest and fiscal charges . . . . .	11,420	-	129,098	140,518
Total expenditures . . . . .	<u>8,273,054</u>	<u>79,486</u>	<u>1,475,750</u>	<u>9,828,290</u>
Excess of revenues over expenditures . . . . .	<u>655,284</u>	<u>43,243</u>	<u>17,240</u>	<u>715,767</u>
<b>Other financing sources:</b>				
Capital lease transaction. . . . .	133,968	-	-	133,968
Sale of assets. . . . .	50	-	-	50
Total other financing sources. . . . .	<u>134,018</u>	<u>-</u>	<u>-</u>	<u>134,018</u>
Net change in fund balances . . . . .	789,302	43,243	17,240	849,785
<b>Fund balances at beginning of year. . . . .</b>	<u>757,785</u>	<u>602,220</u>	<u>576,663</u>	<u>1,936,668</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,547,087</u>	<u>\$ 645,463</u>	<u>\$ 593,903</u>	<u>\$ 2,786,453</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, 2007

**Net change in fund balances - total governmental funds** \$ 849,785

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeds capital outlays in the current period accordingly.

Capital asset additions	\$	215,266	
Current year depreciation		(700,514)	
Total			(485,248)

Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (6,880)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes		(26,360)	
Intergovernmental		15,259	
Accrued interest		(180)	
Total			(11,281)

Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 232,994

Proceeds of capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (133,968)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being recorded on the statement of activities:

Decrease in accrued interest payable		469	
Accreted interest on capital appreciation bonds		(33,170)	
Total			(32,701)

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. 100,009

**Change in net assets of governmental activities** \$ 512,710

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,890,095	\$ 2,890,095	\$ 2,866,850	\$ (23,245)
Tuition. . . . .	348,994	348,994	346,187	(2,807)
Earnings on investments. . . . .	126,897	126,897	125,876	(1,021)
Classroom materials and fees . . . . .	38,899	38,899	38,586	(313)
Other local revenues . . . . .	121	121	120	(1)
Intergovernmental - state . . . . .	5,550,122	5,550,122	5,505,482	(44,640)
Intergovernmental - federal . . . . .	6,750	6,750	6,696	(54)
Total revenue . . . . .	<u>8,961,878</u>	<u>8,961,878</u>	<u>8,889,797</u>	<u>(72,081)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,340,016	4,340,016	4,279,046	60,970
Special. . . . .	666,091	666,091	656,734	9,357
Vocational. . . . .	385,365	385,365	379,952	5,413
Adult . . . . .	13,955	13,955	13,759	196
Other. . . . .	68,088	68,088	67,131	957
Support services:				
Pupil. . . . .	306,651	306,651	302,343	4,308
Instructional staff . . . . .	474,193	474,193	467,531	6,662
Board of education . . . . .	17,052	17,052	16,812	240
Administration. . . . .	752,381	752,381	741,811	10,570
Fiscal . . . . .	237,120	237,120	233,789	3,331
Operations and maintenance. . . . .	757,137	757,137	746,500	10,637
Pupil transportation . . . . .	526,875	526,875	519,473	7,402
Extracurricular activities. . . . .	198,331	198,331	195,545	2,786
Facilities acquisition and construction. . . . .	5,173	5,173	5,100	73
Total expenditures . . . . .	<u>8,748,428</u>	<u>8,748,428</u>	<u>8,625,526</u>	<u>122,902</u>
Excess of revenues over expenditures. . . . .	<u>213,450</u>	<u>213,450</u>	<u>264,271</u>	<u>50,821</u>
<b>Other financing sources:</b>				
Refund of prior year expenditure . . . . .	30,603	30,603	30,356	(247)
Sale of assets. . . . .	50	50	50	-
Total other financing sources. . . . .	<u>30,653</u>	<u>30,653</u>	<u>30,406</u>	<u>(247)</u>
Net change in fund balance . . . . .	244,103	244,103	294,677	50,574
<b>Fund balance at beginning of year. . . . .</b>	1,236,292	1,236,292	1,236,292	-
<b>Prior year encumbrances appropriated . . . . .</b>	98,974	98,974	98,974	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,579,369</u>	<u>\$ 1,579,369</u>	<u>\$ 1,629,943</u>	<u>\$ 50,574</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CLASSROOM FACILITIES MAINTENANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 18,173	\$ 18,173	\$ 37,819	\$ 19,646
Earnings on investments. . . . .	14,952	14,952	31,115	16,163
Intergovernmental - state . . . . .	19,475	19,475	40,528	21,053
<b>Total revenue . . . . .</b>	<u>52,600</u>	<u>52,600</u>	<u>109,462</u>	<u>56,862</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Administration. . . . .	895	895	880	15
Operations and maintenance. . . . .	85,692	85,692	82,071	3,621
<b>Total expenditures . . . . .</b>	<u>86,587</u>	<u>86,587</u>	<u>82,951</u>	<u>3,636</u>
<b>Net change in fund balance . . . . .</b>	(33,987)	(33,987)	26,511	60,498
<b>Fund balance at beginning of year. . . . .</b>	587,983	587,983	587,983	-
<b>Prior year encumbrances appropriated . .</b>	6,587	6,587	6,587	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 560,583</u>	<u>\$ 560,583</u>	<u>\$ 621,081</u>	<u>\$ 60,498</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 362,396	\$ 25,414
Receivables:		
Accounts. . . . .	-	11,818
Total assets. . . . .	362,396	\$ 37,232
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 529
Intergovernmental payable . . . . .	-	70
Due to students . . . . .	-	36,633
Total liabilities . . . . .	-	\$ 37,232
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	362,396	
Total net assets . . . . .	\$ 362,396	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 17,670
Gifts and contributions. . . . .	19,600
	37,270
Total additions. . . . .	37,270
<b>Deductions:</b>	
Scholarships awarded . . . . .	34,345
	2,925
Change in net assets . . . . .	2,925
<b>Net assets at beginning of year. . . . .</b>	<b>359,471</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 362,396</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, 2007**

**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 legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District operates a pre-kindergarten school, elementary school, middle school and high school on a single campus. In addition, there are separate off-campus facilities including a weight room facility and a leased football stadium and track owned by the Village of New London. This is an operating lease for \$2,600 per year and its term is indefinite. The District employs 51 non-certified and 79 certified (including administrative) full-time and part-time employees to provide services to approximately 1,168 students in grades K through 12 and various community groups, which ranks it 439 out of 876 public and community school districts in Ohio, and 5<sup>th</sup> largest of 7 districts in Huron County.

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

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

**A. Reporting Entity**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Lake Erie Educational Computer Association (LEECA)

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

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

Huron-Erie School Employees Insurance Association

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

**B. Fund Accounting**

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

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

*GOVERNMENTAL FUNDS*

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

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) for the accumulation of resources for and payment of, general long-term debt principal, interest and related cost.

*FIDUCIARY FUNDS*

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

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

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

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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

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

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

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange 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.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2007 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 expressed purpose of this budget document is to reflect the need 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. The Huron County Commissioners waived this requirement for fiscal year ended June 30, 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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 2007.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2007. 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 in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

During fiscal year 2007, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements and nonnegotiable certificates of deposit. The investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2007. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$121,021, which includes \$29,931 assigned from other District funds.

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

**G. Inventory**

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

**H. Capital Assets**

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

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable.” These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans receivable/payable at June 30, 2007.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance 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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, 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 severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases and textbooks/instructional materials.

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

**N. Estimates**

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

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set-aside to create a reserve for textbooks/instructional materials. In addition, the District has received monies that are restricted for school bus purchases. See Note 16 for details.

**P. Interfund Activity**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**Q. 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 2007, the District had no transactions that would be classified as special or extraordinary items.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Ohio Reads	7
Agricultural Education 5th Quarter Grant	24
Miscellaneous Federal Grants	202

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

**B. Restatement of Net Assets**

The District has reported a prior period adjustment to correct for errors and omissions in the amount previously reported as land at June 30, 2006. The prior period adjustment had the following effect on net assets as previously reported:

	<u>Governmental Activities</u>
Net assets, June 30, 2006	\$ 13,741,244
Adjustment for accumulated depreciation	<u>221,893</u>
Restated net assets, June 30, 2006	<u>\$ 13,963,137</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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;
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.



**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**A. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$384,871, exclusive of the \$1,837,066 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2007, \$197,528 of the District’s bank balance of \$479,917 was exposed to custodial risk as discussed below, while \$282,389 was covered by the Federal Deposit Insurance Corporation.

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.

**B. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 1,837,066	\$ 1,837,066
STAR Ohio	<u>1,207,120</u>	<u>1,207,120</u>
Total	<u>\$ 3,044,186</u>	<u>\$ 3,044,186</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District’s investments in the federal agency securities that underlie the District’s repurchase agreement were rated Aaa by Moody’s Investor Services. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District’s \$1,837,066 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	\$ 1,837,066	60.35%
STAR Ohio	<u>1,207,120</u>	<u>39.65%</u>
	<u>\$ 3,044,186</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 384,871
Investments	<u>3,044,186</u>
Total	<u>\$ 3,429,057</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,041,247
Private-purpose trust fund	362,396
Agency fund	<u>25,414</u>
Total	<u>\$ 3,429,057</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006 on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, and will be 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Ashland, Lorain and Huron 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The amount available as an advance at June 30, 2007 was \$200,351 in the general fund, \$26,759 in the debt service fund (a nonmajor governmental fund) and \$18,232 in the classroom facilities maintenance fund. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$252,978 in the general fund, \$34,196 in the debt service fund (a nonmajor governmental fund), and \$5,125 in the classroom facilities maintenance fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Half Collections		2007 First Half Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 84,152,650	93.55	\$ 91,700,780	94.85
Public utility personal	3,540,550	3.94	3,456,200	3.58
Tangible personal property	<u>2,263,161</u>	<u>2.51</u>	<u>1,514,843</u>	<u>1.57</u>
Total	<u>\$ 89,956,361</u>	<u>100.00</u>	<u>\$ 96,671,823</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$31.55		\$31.40	
Debt Service	3.55		3.45	

**NOTE 6 - SCHOOL DISTRICT INCOME TAX**

The District has authorized, through voter approval, an annual 1% school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the District, and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2007, was \$1,025,352.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

<b>Governmental Activities:</b>	
Taxes	\$ 2,767,303
Accounts	16,050
Accrued interest	1,089
Intergovernmental	<u>65,744</u>
Total	<u>\$ 2,850,186</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity has been restated at June 30, 2006. See Note 3B for further detail. Activity for the current fiscal year was as follows:

	Restated Balance <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/07</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 285,043	\$ -	\$ -	\$ 285,043
Total capital assets, not being depreciated	<u>285,043</u>	<u>-</u>	<u>-</u>	<u>285,043</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,544,212	7,853	(8,600)	1,543,465
Buildings and improvements	16,708,748	-	-	16,708,748
Furniture and equipment	672,113	144,563	-	816,676
Vehicles	<u>809,275</u>	<u>62,850</u>	<u>(130,398)</u>	<u>741,727</u>
Total capital assets, being depreciated	<u>19,734,348</u>	<u>215,266</u>	<u>(138,998)</u>	<u>19,810,616</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(542,389)	(72,863)	1,720	(613,532)
Buildings and improvements	(3,065,188)	(560,689)	-	(3,625,877)
Furniture and equipment	(225,929)	(40,718)	-	(266,647)
Vehicles	<u>(702,292)</u>	<u>(26,244)</u>	<u>130,398</u>	<u>(598,138)</u>
Total accumulated depreciation	<u>(4,535,798)</u>	<u>(700,514)</u>	<u>132,118</u>	<u>(5,104,194)</u>
Governmental activities capital assets, net	<u>\$ 15,483,593</u>	<u>\$ (485,248)</u>	<u>\$ (6,880)</u>	<u>\$ 14,991,465</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$647,202
<u>Support Services:</u>	
Instructional staff	359
Administration	7,119
Business	3,110
Operation and maintenance	2,214
Pupil transportation	26,244
Extracurricular activities	7,595
Food service operations	<u>6,671</u>
Total depreciation expense	<u>\$700,514</u>

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

Capital assets consisting of equipment have been capitalized in the amount of \$286,703. 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 2007 totaled \$30,894 paid by the general fund. The portion of the lease that was refinanced during fiscal 2007 amounted to \$60,100 and is reported in principal retirement. Accumulated depreciation totaled \$105,474 resulting in a net book value of \$181,229 at June 30, 2007.

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, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 45,031
2009	45,031
2010	32,597
2011	32,596
2012	<u>2,716</u>
Total minimum lease payments	157,971
Less: amount representing interest	<u>(21,831)</u>
Total	<u>\$ 136,140</u>

**NEW LONDON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/07</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
<u>General Obligation Bonds:</u>					
Series 1999, improvement 5.25%, 12/01/22 maturity	\$ 2,405,000	\$ -	\$ (135,000)	2,270,000	\$ 140,000
Series 1999, improvement capital appreciation bonds 7.639% to 7.701% (average effective) 12/01/08, 09, 10, & 11 maturity	265,673	-	-	265,673	-
Series 1999, improvement capital appreciation bonds accrued interest	<u>167,626</u>	<u>33,170</u>	<u>-</u>	<u>200,796</u>	<u>-</u>
Total general obligation bonds	<u>2,838,299</u>	<u>33,170</u>	<u>(135,000)</u>	<u>2,736,469</u>	<u>140,000</u>
<u>General Obligation Loans:</u>					
Asbestos abatement, 1989 0%, 05/30/08 maturity	4,010	-	(2,000)	2,010	2,010
Asbestos abatement, 1995 0%, 05/31/08 maturity	<u>9,220</u>	<u>-</u>	<u>(5,000)</u>	<u>4,220</u>	<u>4,220</u>
Total general obligation loans	<u>13,230</u>	<u>-</u>	<u>(7,000)</u>	<u>6,230</u>	<u>6,230</u>
<u>Other Obligations:</u>					
Compensated absences	847,971	6,293	(225,813)	628,451	60,243
Capital lease	<u>93,166</u>	<u>133,968</u>	<u>(90,994)</u>	<u>136,140</u>	<u>35,419</u>
Total other obligations	<u>941,137</u>	<u>140,261</u>	<u>(316,807)</u>	<u>764,591</u>	<u>95,662</u>
Total long-term obligations, governmental activities	<u>\$ 3,792,666</u>	<u>\$ 173,431</u>	<u>\$ (458,807)</u>	<u>\$ 3,507,290</u>	<u>\$ 241,892</u>

**B. General Obligation Bonds**

On October 1, 1999, the District issued \$3,250,673 in general obligation bonds (Series 1999, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund (a nonmajor governmental fund). The source of payment is derived from a current 3.80 (average) mill bonded debt tax levy.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

In conjunction with the 3.80 mills which support the bond issue, the District also passed in fiscal 2000 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the classroom facilities maintenance fund.

This issue is comprised of current interest bonds, par value \$2,130,000, serial bonds, par value \$855,000, and capital appreciation bonds, par value \$265,673. The capital appreciation bonds mature each December 1, 2008 through 2011, (effective interest 7.639%, 7.701%, 7.634%, and 7.639%, respectively) at redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$580,000. A total of \$200,796 in accreted interest on the capital appreciation bonds has been included on the statement of net assets at June 30, 2007.

The current interest bonds maturing on or after December 1, 2008 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2008 through November 30, 2009	101% of par
December 1, 2009 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending	General Obligation Term Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 140,000	\$ 122,565	\$ 262,565	\$ -	\$ -	\$ -
2009	-	-	-	73,924	71,076	145,000
2010	-	-	-	68,676	76,324	145,000
2011	-	-	-	63,801	81,199	145,000
2012	-	-	-	59,272	85,728	145,000
2013-2017	810,000	491,920	1,301,920	-	-	-
2018-2022	1,070,000	230,850	1,300,850	-	-	-
2023	250,000	7,125	257,125	-	-	-
<b>Total</b>	<b>\$ 2,270,000</b>	<b>\$ 852,460</b>	<b>\$ 3,122,460</b>	<b>\$ 265,673</b>	<b>\$ 314,327</b>	<b>\$ 580,000</b>



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Asbestos Abatement Loans**

In 1986 and in 1995 the District received loans from the U.S. Environmental Protection Agency for an asbestos abatement project. These loans are interest free provided the District remains current on repayment. These loans are general obligations of the District, for which the full faith and credit of the District is pledged for repayment. Payments are recorded as expenditures of the debt service fund (a nonmajor governmental fund); tax revenues provide the source for repayment.

Principal and interest requirements to retire the asbestos removal loans outstanding at June 30, 2007, are as follows:

<u>Fiscal Year Ending</u>	<u>Asbestos Removal Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,230	\$ -	\$ 6,230
Total	\$ 6,230	\$ -	\$ 6,230

**D. Other Long-Term Obligations**

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

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use 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, 2007, are a voted debt margin of \$6,213,970 (including available funds of \$316,570) and an unvoted debt margin of \$93,701.

**NEW LONDON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT**

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

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Schools of Ohio Risk Sharing Authority (SORSA), which includes boiler coverage. The deductible is \$250 per incident. All vehicles are insured with S.O.R.S.A. and have a \$500 comprehensive deductible for collision and comprehensive bus coverage and a \$500 comprehensive deductible for automobiles and a \$500 collision deductible for automobiles. All board members, administrators and employees are covered under a school district liability policy with SORSA. The limits of this coverage are \$11,000,000 per occurrence and \$13,000,000 aggregate. Settled claims have not exceeded these commercial insurance coverages in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2006.

**B. Employee Dishonesty Bonds**

The board president is covered with a surety bond for \$20,000 through the OSBA Board Program. The superintendent and the treasurer are covered by a \$20,000 and a \$100,000 surety bond respectively. The student activity clerk/treasurer's secretary is also covered by a surety bond in the amount of \$10,000. These bonds are all with the Western Surety Company. The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$50,000. This coverage is provided by the SORSA. Settled claims have not exceeded these commercial insurance coverages in any of the past three years. There have been no significant reductions in coverage from 2006.

**C. Workers' Compensation**

For fiscal year 2007, 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 14 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

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 12 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$114,297, \$122,832 and \$109,400 respectively; 44.62% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$63,293 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$528,736, \$523,418 and \$517,354 respectively; 82.85% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$90,666 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2007 were \$3,243 made by the District and \$8,848 made by Plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$40,672 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. The surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$56,414 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue fund: Classroom facilities maintenance fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue fund is as follows:

**Net Change in Fund Balance**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>
Budget basis	\$294,677	\$ 26,511
Net adjustment for revenue accruals	38,541	13,267
Net adjustment for expenditure accruals	162,990	(707)
Net adjustment for other sources/uses	103,612	-
Adjustment for encumbrances	<u>189,482</u>	<u>4,172</u>
GAAP basis	<u>\$789,302</u>	<u>\$ 43,243</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$1,417 per year. A portion of the refund may be recovered from additional State entitlement payments.

The District is a party to other legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2006	\$ 46,049	\$ -
Current year set-aside requirement	175,564	175,564
Current year offsets	-	(78,346)
Qualifying disbursements	<u>(163,318)</u>	<u>(141,477)</u>
Total	<u>\$ 58,295</u>	<u>\$ (44,259)</u>
Balance carried forward to FY 2008	<u>\$ 58,295</u>	<u>\$ -</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 16 - STATUTORY RESERVES - (Continued)**

In addition to the above statutory reserves, the District also received monies from the State of Ohio that are restricted for school bus purchases. The balance of money restricted for school bus purchases was \$9,003 at June 30, 2007. This balance is also reported as restricted equity in pooled cash and reserved fund balance.

A schedule of the restricted assets at June 30, 2007 follows:

Amounts restricted for textbooks/instructional materials	58,295
Amounts restricted for school bus purchases	<u>9,003</u>
Total restricted assets	<u>\$ 67,298</u>



## **SUPPLEMENTARY DATA**

NEW LONDON LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
(C) Food Donation	10.550	N/A	\$ -	\$ 21,490	\$ -	\$ 21,490
<b>Total Food Donation</b>			<u>-</u>	<u>21,490</u>	<u>-</u>	<u>21,490</u>
<i>Nutrition Cluster:</i>						
(A),(D) School Breakfast Program	10.553	047720-05PU-2006	4,536		4,536	
(A),(D) School Breakfast Program	10.553	047720-05PU-2007	9,271		9,271	
<b>Total School Breakfast Program</b>			<u>13,807</u>		<u>13,807</u>	
(A) (D) National School Lunch Program	10.555	047720-LLP4-2006	33,580		33,580	
(A) (D) National School Lunch Program	10.555	047720-LLP4-2007	71,221		71,221	
<b>Total National School Lunch Program</b>			<u>104,801</u>		<u>104,801</u>	
<i>Total Nutrition Cluster:</i>						
<b>Total U.S. Department of Agriculture</b>			<u>118,608</u>	<u>21,490</u>	<u>118,608</u>	<u>21,490</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
(I) Title I Grants to Local Educational Agencies	84.010	047720-C1S1-2006	6,654		13,454	
Title I Grants to Local Educational Agencies	84.010	047720-C1S1-2007	71,583		66,032	
<b>Total Title I Grants to Local Educational Agencies</b>			<u>78,237</u>		<u>79,486</u>	
<i>Special Education Cluster:</i>						
(B), (H) Special Education Grants to States	84.027	047720-6BSF-2006	(1,748)		24,555	
(B) Special Education Grants to States	84.027	047720-6BSF-2007	224,739		218,882	
<b>Total Special Education Grants to States</b>			<u>222,991</u>		<u>243,437</u>	
(B),(G) Special Education-Preschool Grants	84.173	N/A	7,535		7,535	
<b>Total Special Education Cluster</b>			<u>230,526</u>		<u>250,972</u>	
(F) Federal Perkins Loan Program Federal Capital Contributions	84.038	N/A	6,696		6,696	
<b>Total Federal Perkins Loan Program Federal Capital Contributions</b>			<u>6,696</u>		<u>6,696</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	047720-DRS1-2006	-		404	
Safe and Drug-Free Schools and Communities_State Grants	84.186	047720-DRS1-2007	2,662		2,580	
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<u>2,662</u>		<u>2,984</u>	
State Grants for Innovative Programs	84.298	047720-C2S1-2007	1,608		1,608	
<b>Total State Grants for Innovative Programs</b>			<u>1,608</u>		<u>1,608</u>	
Education Technology State Grants	84.318	047720-TJS1-2007	793		793	
<b>Total Education Technology State Grants</b>			<u>793</u>		<u>793</u>	
Improving Teacher Quality State Grants	84.367	047720-TRS1-2006	3,415		6,251	
Improving Teacher Quality State Grants	84.367	047720-TRS1-2007	44,287		41,599	
<b>Total Improving Teacher Quality State Grants</b>			<u>47,702</u>		<u>47,850</u>	
<b>Total U.S. Department of Education</b>			<u>368,224</u>		<u>390,389</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 486,832</u>	<u>\$ 21,490</u>	<u>\$ 508,997</u>	<u>\$ 21,490</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
(B) Included as part of "Special Education Grant Cluster" in determining major programs.  
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
(E) This schedule was prepared on the cash basis of accounting.  
(F) Passed through the Erie-Huron-Ottawa Career Center.  
(G) Passed through the Erie-Huron-Ottawa Educational Service Center.  
(H) Amount of \$1,748 transferred to fiscal year 2007 grant year based on Ohio Department of Education administrative action.  
(I) Amount of \$227 transferred to fiscal year 2007 grant year based on Ohio Department of Education administrative action.



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

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

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New London Local School District as of and for the fiscal year ended June 30, 2007, which collectively comprise New London Local School District's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New London Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of New London Local School District's financial statements that is more than inconsequential will not be prevented or detected by the New London Local School District's internal control.

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

Board of Education  
New London Local School District

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and Board of Education of New London Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 7, 2007



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

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

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

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

Compliance

We have audited the compliance of New London Local School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. New London Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of New London Local School District's management. Our responsibility is to express an opinion on New London Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit 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 New London Local School District'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. Our audit does not provide a legal determination on New London Local School District's compliance with those requirements.

In our opinion, New London Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

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

Board of Education  
New London Local School District

A control deficiency in New London Local School District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New London Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by New London Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by New London Local School District's internal control.

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

This report is intended for the information and use of management and Board of Education of New London Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the typed name of the firm.

Julian & Grube, Inc.  
December 7, 2007

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2007**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster: Special Education - Grants to States - CFDA #84.027 and Special Education - Preschool Grants - CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2007**

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

None

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

None





**Mary Taylor, CPA**  
Auditor of State

**NEW LONDON LOCAL SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 31, 2008**