

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

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2012**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the New London Local School District, Huron County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 1, 2013

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the New London Local School District, Huron County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the New London Local School District, Ohio'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, its major fund, and the aggregate remaining fund information of the New London Local School District, Ohio, as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the New London Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New London Local School District, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.


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

December 4, 2012

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The Management's Discussion and Analysis of the New London Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012. 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 notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,453,149 which represents a 10.73 percent decrease from 2011.
- General revenues accounted for \$9,022,074 in revenue or 85.54 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,524,907 or 14.46 percent of total revenues of \$10,546,981.
- The District had \$12,000,130 in expenses related to governmental activities; \$1,524,907 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,022,074 were unable to fully provide for these programs.
- The District's major governmental fund is the General Fund. The General Fund had \$9,169,452 in revenues and \$9,430,269 in expenditures. During fiscal year 2012, the General Fund's fund balance decreased \$260,817 from \$1,779,931 to \$1,519,114.

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 is by far the most significant fund and the only governmental fund reported as a major fund.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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 2012?" 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 15-16 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 10. 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 fund is the General 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 17-21 of this report.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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 22 and 23. 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 25-56 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for fiscal year 2012 and 2011.

	Governmental Activities	
	2012	2011
ASSETS		
Current and other assets	\$ 6,162,319	\$ 6,825,933
Capital assets, net	12,071,189	12,746,227
Total Assets	18,233,508	19,572,160
LIABILITIES		
Current and other liabilities	3,096,361	3,034,732
Long-term liabilities:		
Due within one year	291,062	293,435
Due in more than one year	2,750,340	2,695,099
Total Liabilities	6,137,763	6,023,266
NET ASSETS		
Invested in capital assets, net of related debt	9,959,584	10,520,705
Restricted	1,150,258	1,574,487
Unrestricted	985,903	1,453,702
Total Net Assets	\$ 12,095,745	\$ 13,548,894

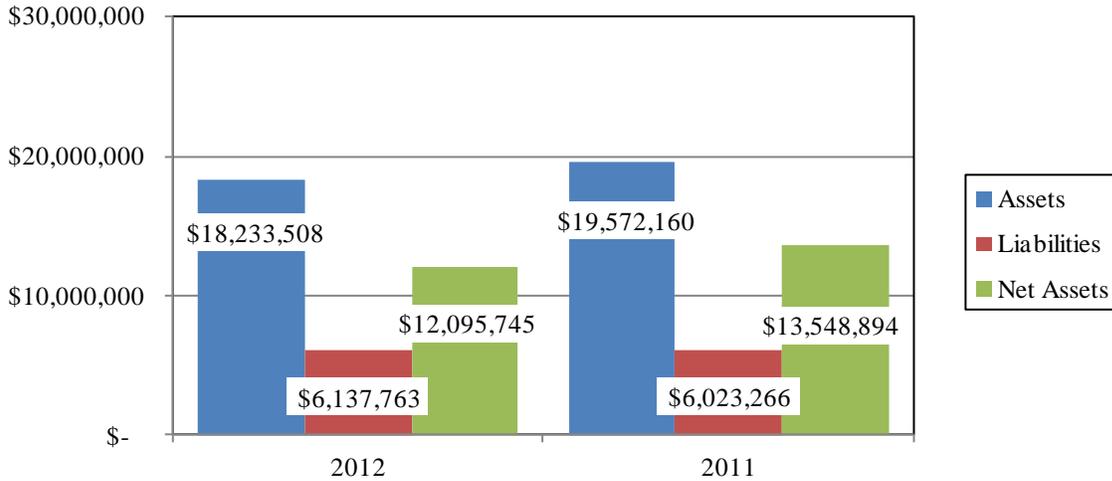
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$12,095,745. Of this total, \$985,903 is unrestricted in use.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

At year-end, capital assets represented 66.20 percent 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, 2012, were \$9,959,584. 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, \$1,150,258, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$985,903 may be used to meet the District’s ongoing obligations to the students and creditors.

The graph below illustrates the District’s assets, liabilities and net assets at June 30, 2012 and 2011:



**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The table below shows the change in net assets for fiscal years 2012 and 2011.

	Governmental Activities	
	2012	2011
REVENUES		
Program Revenues:		
Charges for services	\$ 723,233	\$ 765,982
Operating grants and contributions	801,674	2,134,710
Total Program Revenues	1,524,907	2,900,692
General Revenues:		
Property taxes	2,173,767	2,336,185
School District income taxes	1,039,769	980,694
Grants and entitlements	5,783,782	5,254,670
Investment income	10,482	21,223
All other revenues	14,274	2,191
Total General Revenues	9,022,074	8,594,963
Total Revenues	10,546,981	11,495,655
EXPENSES		
Program Expenses:		
Instruction:		
Regular	5,708,996	5,492,595
Special	991,914	1,097,802
Vocational	446,350	373,836
Adult/Continuing	-	12,715
Other	7,047	3,863
Supporting Services:		
Pupils	367,720	281,174
Instructional Staff	712,858	623,064
Board of Education	14,436	8,795
Administration	880,663	819,710
Fiscal Services	267,832	267,234
Business	3,110	4,835
Operation and Maintenance of Plant	967,978	944,253
Pupil Transportation	588,866	599,280
Central	68,469	-
Operation of Non-Instructional Services		
Food Services	395,665	374,236
Community Services	76	4,220
Extracurricular Activities	470,604	436,105
Interest and Fiscal Charges	107,546	113,564
Total Expenses	12,000,130	11,457,281
Change in Net Assets	(1,453,149)	38,374
Net Assets - Beginning of Year	13,548,894	13,510,520
Net Assets - End of Year	\$ 12,095,745	\$ 13,548,894

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

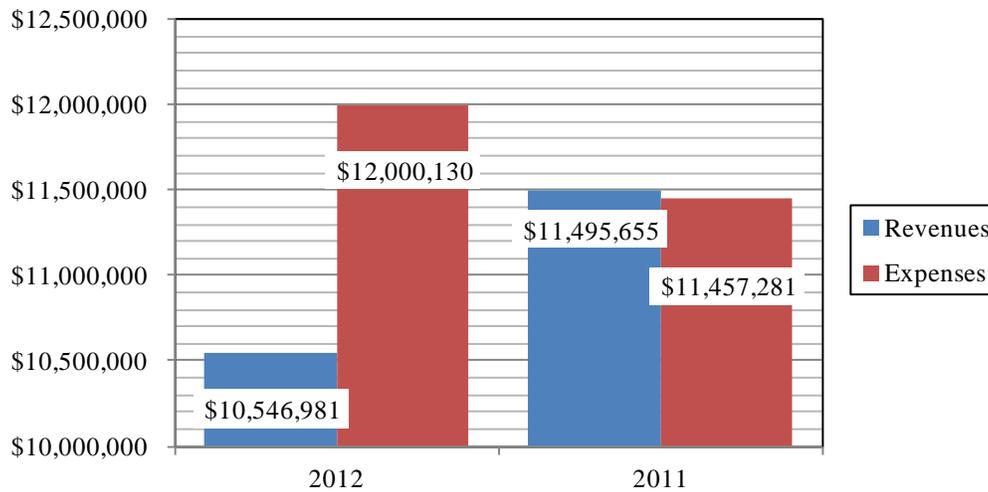
Governmental Activities

Net assets of the District’s governmental activities decreased \$1,453,149. Total governmental expenses of \$12,000,130 were not fully offset by program revenues of \$1,524,907, and general revenues of \$9,022,074. Program revenues supported 12.71 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 85.31 percent of total governmental revenue. The program revenues experienced the largest decrease in funding as a result of the funds provided through the American Recovery and Reinvestment Act (ARRA) ceasing coupled with funding provided by the State being decreased.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,154,307 or 59.62 percent of total governmental expenses for fiscal year 2012.

The graph below presents the District’s governmental activities revenue and expenses for fiscal years 2012 or 2011.



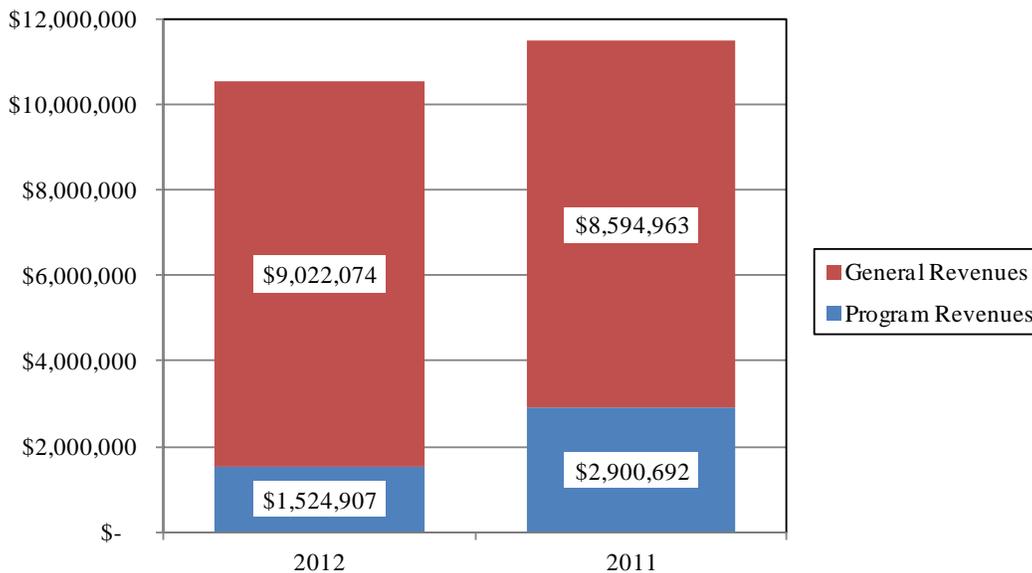
**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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

	Total Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2012	Net Cost of Services 2011
Instruction	\$ 7,154,307	\$ 6,980,811	\$ 6,386,550	\$ 5,333,362
Supporting Services:				
Pupils and Instructional Staff	1,080,578	904,238	1,022,732	634,084
Board of Education, Administration, Fiscal Services, and Business	1,166,041	1,100,574	1,154,028	1,026,774
Operation and Maintenance of Plant	967,978	944,253	954,107	623,456
Pupil Transportation	588,866	599,280	567,357	572,285
Central	68,469	-	65,692	-
Operation of Non-Instructional Services	395,741	378,456	15,754	(3,332)
Extracurricular Activities	470,604	436,105	201,457	256,396
Interest and fiscal charges	107,546	113,564	107,546	113,564
Total cost of service	<u>\$12,000,130</u>	<u>\$11,457,281</u>	<u>\$10,475,223</u>	<u>\$ 8,556,589</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 89.27 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.29 percent. 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.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011:



**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$2,618,929, which is lower than last year's total of \$3,010,814. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Change	% Change
General	\$ 1,519,114	\$ 1,779,931	\$ (260,817)	-14.65%
Other Governmental	1,099,815	1,230,883	(131,068)	-10.65%
Total	<u>\$ 2,618,929</u>	<u>\$ 3,010,814</u>	<u>\$ (391,885)</u>	-13.02%

General Fund

The General Fund's fund balance decreased \$260,817. In fiscal year 2012, total revenues remained relatively flat. Most of the change in the General Fund's fund balance can be attributed to expenditures increasing by \$508,115 over prior year's amount. Supporting Services experienced the largest increase which is due to the District providing additional services.

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

	June 30, 2012	June 30, 2011	Change	% Change
<u>Revenues</u>				
Taxes	\$ 2,985,413	\$ 2,987,756	\$ (2,343)	-0.08%
Earnings on Investments	9,208	19,775	(10,567)	-53.44%
Intergovernmental	5,793,335	5,628,919	164,416	2.92%
Other Revenues	381,496	450,201	(68,705)	-15.26%
Total Revenues	<u>\$ 9,169,452</u>	<u>\$ 9,086,651</u>	<u>\$ 82,801</u>	0.91%
<u>Expenditures</u>				
Instruction	\$ 5,740,245	\$ 5,611,542	\$ 128,703	2.29%
Supporting Services	3,380,070	2,937,353	442,717	15.07%
Non-instructional Services	76	4,220	(4,144)	-98.20%
Extracurricular Activities	286,664	262,425	24,239	9.24%
Capital Outlay	-	53,502	(53,502)	-100.00%
Debt Service	23,214	53,112	(29,898)	-56.29%
Total Expenditures	<u>\$ 9,430,269</u>	<u>\$ 8,922,154</u>	<u>\$ 508,115</u>	5.69%

The largest change in revenues from fiscal 2011 to fiscal 2012 was intergovernmental revenues. The most significant changes in the expenditures were instruction and supporting services.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

General Fund Budgeting Highlights

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

During the course of fiscal 2012, the District's original budgeted revenues and other financing sources were \$8,933,810. The final budgeted revenues and other financing sources remained the same as the original budgeted amounts. Actual revenues and other financing sources for fiscal 2012 was \$9,087,279. This represents a \$153,469 increase over final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) totaled \$8,955,676. The final appropriations totaled \$9,620,676. The actual budget basis expenditures for fiscal year 2012 totaled \$9,536,298, which was \$84,378 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012, the District had \$12,071,189 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 2012 balances compared to 2011:

	Governmental Activities	
	2012	2011
Land	\$ 285,043	\$ 285,043
Land Improvements	681,612	709,551
Buildings and Improvements	10,617,405	11,187,570
Furniture and Equipment	269,660	391,521
Vehicles	217,469	172,542
Total Capital Assets	\$ 12,071,189	\$ 12,746,227

The overall decrease in capital assets of \$675,038 is mainly due to depreciation expense of \$741,033 exceeding capital outlays of \$95,692 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Debt Administration

At June 30, 2012, the District had \$2,160,645 in general obligation bonds and \$40,250 in capital leases outstanding. Of this total, \$193,524 is due within one year and \$2,007,371 is due within greater than one year. The following table summarizes the bonds and capital leases outstanding.

	Governmental Activities	
	2012	2011
General Obligation Bonds	\$ 2,160,645	\$ 2,313,138
Capital Leases	40,250	59,002
Total Outstanding Debt	\$ 2,200,895	\$ 2,372,140

At June 30, 2012, the District's overall legal debt margin was \$6,536,516, and an unvoted debt margin of \$90,584.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District continues to meet its current financial obligations; however, the Board's five year forecast is projecting a deficit in Fiscal Year 2015. If the economy continues to lag and operational costs increase, the District will need to take measures to reduce spending, increase revenue or a combination of both. Cash flow continues to be monitored because the forecast projects deficit spending in all years of the forecast.

The newly constructed buildings are now 10 years old and the District will need to monitor major repairs as new equipment/fixtures begin to reach their maximum life. The facility capital maintenance levy (0.5 mill) continues to support service contracts and equipment repairs for equipment that was part of the original construction. This levy will be collected through calendar year 2022.

The District renewed an Emergency Levy in May, 2011 for 5 years (Collection years 2012 through 2016). The levy generates approximately \$152,000 per calendar year.

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

The District has negotiated agreements with two bargaining units; the New London Teachers Association and the Ohio Association of Public School Employees Local Chapter #521. The most recent negotiation expired on June 30, 2011 and the Board of Education is currently in negotiations for a new agreement. Whatever is negotiated will affect the bottom line whether positive or negative.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Contacting the District's Financial Management

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

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

Basic Financial Statements

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 3,063,712
Income Taxes Receivable	381,775
Property Taxes Receivable	2,472,417
Accounts Receivable	11,533
Accrued Interest Receivable	380
Intergovernmental Receivable	161,653
Materials and Supplies Inventory	11,208
Deferred Charges	59,641
Nondepreciable Capital Assets	285,043
Depreciable Capital Assets, Net	11,786,146
Total Assets	18,233,508
 LIABILITIES	
Accounts Payable	89,560
Accrued Wages and Benefits	939,766
Intergovernmental Payable	214,434
Accrued Interest Payable	6,662
Deferred Revenue	1,845,939
Long-term Liabilities:	
Due within one year	291,062
Due in more than one year	2,750,340
Total Liabilities	6,137,763
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	9,959,584
Restricted:	
Debt Service	388,508
Federally Funded Programs	200
Student Activities	130,521
Classroom Facilities Maintenance	484,771
Other Purposes	146,258
Unrestricted	985,903
Total Net Assets	\$ 12,095,745

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, 2012**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular Instruction	\$ 5,708,996	\$ 319,405	\$ 96,016	\$ (5,293,575)
Special Instruction	991,914	-	291,763	(700,151)
Vocational Instruction	446,350	-	8,000	(438,350)
Other Instruction	7,047	-	52,573	45,526
Supporting Services:				
Pupils	367,720	-	41,983	(325,737)
Instructional Staff	712,858	-	15,863	(696,995)
Board of Education	14,436	-	-	(14,436)
Administration	880,663	-	12,013	(868,650)
Fiscal Services	267,832	-	-	(267,832)
Business	3,110	-	-	(3,110)
Operation and Maintenance of Plant	967,978	-	13,871	(954,107)
Pupil Transportation	588,866	-	21,509	(567,357)
Central	68,469	-	2,777	(65,692)
Operation of Non-Instructional Services				
Food Service Operations	395,665	141,028	238,685	(15,952)
Community Services	76	274	-	198
Extracurricular Activities	470,604	262,526	6,621	(201,457)
Interest and Fiscal Charges	107,546	-	-	(107,546)
Total Governmental activities	\$ 12,000,130	\$ 723,233	\$ 801,674	\$ (10,475,223)

General Revenues:

Property and Other Local Taxes levied for:

General Purposes	1,918,959
Debt Service	218,525
Other Purposes	36,283

Income Taxes levied for:

General Purposes	1,039,769
Grants & Entitlements not restricted to specific programs	5,783,782
Investment Income	10,482
All Other Revenues	14,274

Total General Revenues 9,022,074

Change in Net Assets (1,453,149)

Net Assets - Beginning of Year 13,548,894

Net Assets - End of Year \$ 12,095,745

See accompanying notes to the basic financial statements.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
BALANCE SHEET –
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 1,912,161	\$ 1,151,551	\$ 3,063,712
Materials and Supplies Inventory	-	11,208	11,208
Accrued Interest Receivable	380	-	380
Accounts Receivable	11,533	-	11,533
Interfund Receivable	80,633	-	80,633
Intergovernmental Receivable	-	161,653	161,653
Income Taxes Receivable	381,775	-	381,775
Property Taxes Receivable	2,182,263	290,154	2,472,417
Total Assets	\$ 4,568,745	\$ 1,614,566	\$ 6,183,311
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 89,560	\$ -	\$ 89,560
Accrued Wages and Benefits	804,873	134,893	939,766
Intergovernmental Payable	190,884	23,550	214,434
Matured Compensated Absences Payable	71,736	-	71,736
Interfund Payable	-	80,633	80,633
Deferred Revenue	1,892,578	275,675	2,168,253
Total Liabilities	3,049,631	514,751	3,564,382
Fund Balances:			
Nonspendable	-	11,208	11,208
Restricted	-	1,151,378	1,151,378
Assigned	650,111	-	650,111
Unassigned (Deficit)	869,003	(62,771)	806,232
Total Fund Balances	1,519,114	1,099,815	2,618,929
Total Liabilities and Fund Balances	\$ 4,568,745	\$ 1,614,566	\$ 6,183,311

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, 2012**

Total Governmental Funds Balance \$ 2,618,929

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 12,071,189

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Property taxes	\$	297,985	
Intergovernmental		24,329	
Total		322,314	322,314

In the Statement of Net Assets, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (6,662)

Unamortized bond issuance costs are not recognized in the funds. 59,641

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds		(2,009,971)	
Capital lease obligations		(40,250)	
Bond accretion		(89,290)	
Unamortized bond premium		(101,275)	
Unamortized deferred charges on refunding		39,891	
Compensated absences		(768,771)	
Total		(2,969,666)	(2,969,666)

Net Assets of Governmental Activities \$ 12,095,745

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, 2012**

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,985,413	\$ 257,859	\$ 3,243,272
Intergovernmental	5,793,335	1,080,910	6,874,245
Interest	9,208	1,782	10,990
Tuition	266,470	10,775	277,245
Extracurricular Activities	53,993	179,864	233,857
Rentals	274	-	274
Contributions and Donations	16,365	23,577	39,942
Classroom Materials and Fees	30,887	-	30,887
Charges for Services	-	135,892	135,892
Miscellaneous	13,507	767	14,274
Total Revenues	<u>9,169,452</u>	<u>1,691,426</u>	<u>10,860,878</u>
EXPENDITURES			
Current:			
Instruction:			
Regular Instruction	4,641,094	230,056	4,871,150
Special Instruction	639,538	332,066	971,604
Vocational Instruction	452,556	7,977	460,533
Other Instruction	7,057	-	7,057
Supporting Services:			
Pupils	307,946	42,928	350,874
Instructional Staff	561,686	151,646	713,332
Board of Education	14,436	-	14,436
Administration	810,030	13,874	823,904
Fiscal Services	255,674	-	255,674
Operation and Maintenance of Plant Services	765,708	187,988	953,696
Pupil Transportation	606,621	24,507	631,128
Central	57,969	10,500	68,469
Operation of Non-Instructional Services:			
Food Service Operations	-	389,611	389,611
Community Services	76	-	76
Extracurricular Activities	286,664	183,018	469,682
Debt Service:			
Principal Retirement	18,752	89,272	108,024
Interest and Fiscal Charges	4,462	159,051	163,513
Total Expenditures	<u>9,430,269</u>	<u>1,822,494</u>	<u>11,252,763</u>
Net Change in Fund Balances	(260,817)	(131,068)	(391,885)
Fund Balances - Beginning of Year	1,779,931	1,230,883	3,010,814
Fund Balances - End of Year	<u>\$ 1,519,114</u>	<u>\$ 1,099,815</u>	<u>\$ 2,618,929</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, 2012**

Net Change in Fund Balances-Total Governmental Funds \$ (391,885)

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. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	\$	95,692	
Depreciation		(741,033)	
Total		(645,341)	(645,341)

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets. (29,697)

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

Taxes		(29,736)	
Intergovernmental		(283,653)	
Accrued interest		(508)	
Total		(313,897)	(313,897)

Repayment of bond and capital lease principal is an expenditure in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 108,024

Premiums on bonds issued are recognized as revenues in the Governmental funds, however, they are amortized over the life of the issuance in the Statement of Activities. 9,722

Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the Statement of Activities. (5,725)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (1,529)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Compensated absences		(236,320)	
Amortization of deferred charges on refunding		(3,829)	
Bond accretion		57,328	
Total		(182,821)	(182,821)

Change in Net Assets of Governmental Activities \$ (1,453,149)

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 -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,915,411	\$ 2,915,411	\$ 2,965,532	\$ 50,121
Intergovernmental	5,695,418	5,695,418	5,793,335	97,917
Interest	9,225	9,225	9,384	159
Tuition	261,966	261,966	266,470	4,504
Rentals	269	269	274	5
Contributions and Donations	13,994	13,994	14,235	241
Classroom Materials and Fees	30,365	30,365	30,887	522
Miscellaneous	28	28	28	-
Total Revenues	<u>8,926,676</u>	<u>8,926,676</u>	<u>9,080,145</u>	<u>153,469</u>
Expenditures				
Current:				
Instruction				
Regular	4,386,394	4,715,807	4,641,844	73,963
Special	598,623	643,477	634,890	8,587
Vocational	368,762	395,894	399,731	(3,837)
Other	12,594	13,163	9,050	4,113
Supporting Services				
Pupils	321,050	345,227	341,526	3,701
Instructional Staff	517,618	556,465	574,845	(18,380)
Board of Education	12,255	13,179	13,002	177
Administration	764,435	820,996	808,376	12,620
Fiscal Services	271,229	291,492	287,554	3,938
Operation and Maintenance of Plant Services	749,250	801,511	826,675	(25,164)
Pupil Transportation	637,719	684,000	662,752	21,248
Central	54,072	58,151	58,794	(643)
Extracurricular Activities	258,890	278,387	274,359	4,028
Capital Outlay	1,885	2,027	2,000	27
Total Expenditures	<u>8,954,776</u>	<u>9,619,776</u>	<u>9,535,398</u>	<u>84,378</u>
Excess of Revenues Over Expenditures	<u>(28,100)</u>	<u>(693,100)</u>	<u>(455,253)</u>	<u>237,847</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	694	694	694	-
Refund of Prior Year Expenditures	6,440	6,440	6,440	-
Refund of Prior Year Receipts	(900)	(900)	(900)	-
Total Other Financing Sources (Uses)	<u>6,234</u>	<u>6,234</u>	<u>6,234</u>	<u>-</u>
Net Change in Fund Balance	(21,866)	(686,866)	(449,019)	237,847
Fund Balance - Beginning of Year	2,100,351	2,100,351	2,100,351	-
Prior Year Encumbrances Appropriated	139,376	139,376	139,376	-
Fund Balance - End of Year	<u>\$ 2,217,861</u>	<u>\$ 1,552,861</u>	<u>\$ 1,790,708</u>	<u>\$ 237,847</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, 2012**

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 355,795	\$ 31,468
Accounts Receivable	2,500	-
Total Assets	358,295	\$ 31,468
Liabilities		
Due to Students	\$ -	\$ 31,468
Total Liabilities	-	\$ 31,468
Net Assets		
Held in Trust for Scholarships	358,295	
Total Net Assets	\$ 358,295	

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, 2012**

	Private Purpose Trust
Additions	
Gifts and Donations	\$ 30,266
Interest Income	3,269
Total Additions	33,535
Deductions	
Disbursements in Accordance with Trust	35,247
Change in Net Assets	(1,712)
Net Assets Beginning of Year	360,007
Net Assets End of Year	\$ 358,295

See accompanying notes to the basic financial statements

NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO

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, 2012**

NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District operates a pre-kindergarten school, elementary school, middle school and high school on a single campus. In addition, there are separate off-campus facilities including a weight room facility and a leased football stadium and track owned by the Village of New London. The lease is continuing for \$1.00 per year. The District employs 58 non-certified and 90 certified (including administrative) full-time and part-time employees to provide services to 1,113 students in grades Pre-K through 12 and various electronic/community schools.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided it does 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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

A. **Reporting Entity** (Continued)

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

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

Jointly Governed Organizations

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

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

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (the "Association") is a jointly governed organization among 14 school districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870. Refer to Note 12D for further information on this Association.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

A. **Reporting Entity** (Continued)

Public Entity Risk Pools

Schools of Ohio Risk Sharing Authority

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

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established as an insurance purchasing pool. The Plan is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. Refer to Note 12C 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.

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 is the District's major governmental fund:

General Fund -The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

B. **Fund Accounting** (Continued)

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.

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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

D. Basis of Accounting

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

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

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 6). Revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises 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, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

D. **Basis of Accounting** (Continued)

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

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

E. **Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the needs for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2012.
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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

E. **Budgets** (Continued)

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 2012. 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

F. **Cash and Investments**

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

During fiscal year 2012, investments were limited to non-negotiable certificates of deposit. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by policy, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$9,208, which includes \$2,349 assigned from other District funds.

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

G. **Inventory**

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

H. Capital Assets

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

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

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

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

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

I. Interfund Balance

On the governmental fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had interfund loans receivable/payable at June 30, 2012.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 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 "matured compensated absences payable" in the fund from which the employees are paid.

K. Accrued Liabilities and Long-Term Obligations

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

L. Fund Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

M. Net Assets

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

N. **Estimates**

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

O. **Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted assets at June 30, 2012.

P. **Interfund Activity**

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

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

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

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

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the District had no transactions that would be classified as extraordinary or special items.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2012, the School District has implemented GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*.

GASB Statement No. 64 enhances the comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of this Statement did not have an effect on the School District’s financial statements.

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE**

A. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

Nonmajor Funds	Deficit
Public School Preschool	\$ 13,548
Vocational Education Enhancement	32
Education Jobs	18,943
IDEA, Part B Special Education	15,497
Title I	9,947
Improving Teacher Quality	4,804

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.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 4: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

B. **Compliance**

Ohio Revised Code §5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. A negative cash balance indicates that money from one fund was used to cover expenditures of another fund.

At June 30, 2012, the following funds reported a negative cash balance; however the District did meet the allowable exceptions permitted by Ohio Revised Code §3315.20:

<u>Nonmajor Special Revenue Funds</u>	<u>Negative Cash Balance</u>
Education Jobs	\$ 50,217
Title VI-B	16,583
Title I, Disadvantaged Children/Targeted Assistance	10,041
Improving Teacher Quality	3,792

NOTE 5: **DEPOSITS AND INVESTMENTS**

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

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

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

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
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

A. **Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$3,450,975. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,674,628 of the District's bank balance of \$3,533,926 was exposed to custodial risk as discussed below, while \$859,298 was covered by the FDIC.

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

B. **Reconciliation of Cash and Investments to the Financial Statements**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the Statement of Net Assets as of June 30, 2012:

<u>Cash and Investments per Note</u>	
Carrying Amount of Deposits	\$ 3,450,975
Total	\$ 3,450,975
 <u>Cash and Investment per the Financial Statements</u>	
Governmental Activities	\$ 3,063,712
Private-purpose Trust Fund	355,795
Agency Fund	31,468
Total	\$ 3,450,975

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 6: PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron, Lorain and Ashland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations.

The amount available as an advance at June 30, 2012 was \$289,685 in the General Fund, \$33,313 in the Bond Retirement Fund (a nonmajor governmental fund) and \$5,495 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$291,879 in the General Fund, \$33,311 in the Bond Retirement Fund (a nonmajor governmental fund) and \$5,498 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 6: **PROPERTY TAXES** (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 98,202,250	97.19%	\$ 88,706,350	97.93%
Public Utility Personal	2,834,560	2.81%	1,878,020	2.07%
Total	<u>\$ 101,036,810</u>	<u>100.00%</u>	<u>\$ 90,584,370</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$ 34.30		 \$ 34.25	

NOTE 7: **SCHOOL DISTRICT INCOME TAX**

The District has authorized, through voter approval, an annual 1 percent school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the District and is credited to the General Fund. Total income tax revenue credited to the General Fund during fiscal year 2012, was \$1,039,769.

NOTE 8: **RECEIVABLES**

Receivables at June 30, 2012, 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:

<u>Governmental Activities:</u>	
Income Taxes	\$ 381,775
Property Taxes	2,472,417
Accounts	11,533
Accrued Interest	380
Intergovernmental	161,653
Total	<u>\$ 3,027,758</u>

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 9: CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>6/30/2011</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2012</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>-</u>	<u>285,043</u>
<i>Capital Assets, being depreciated</i>					
Land Improvements	1,625,712	49,021	-	-	1,674,733
Buildings and Improvements	17,078,408	32,289	-	-	17,110,697
Furniture and Equipment	891,393	(81,310)	8,821	(187,419)	631,485
Vehicles	812,782	-	86,871	-	899,653
Total Capital Assets, being depreciated	<u>20,408,295</u>	<u>-</u>	<u>95,692</u>	<u>(187,419)</u>	<u>20,316,568</u>
<i>Less: Accumulated Depreciation</i>					
Land Improvements	(916,161)	-	(76,960)	-	(993,121)
Buildings and Improvements	(5,890,838)	(33,844)	(568,610)	-	(6,493,292)
Furniture and Equipment	(499,872)	33,844	(53,519)	157,722	(361,825)
Vehicles	(640,240)	-	(41,944)	-	(682,184)
Total Accumulated Depreciation	<u>(7,947,111)</u>	<u>-</u>	<u>(741,033)</u>	<u>157,722</u>	<u>(8,530,422)</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,746,227</u>	<u>\$ -</u>	<u>\$ (645,341)</u>	<u>\$ (29,697)</u>	<u>\$ 12,071,189</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 658,508
 <u>Supporting Services:</u>	
Instructional Staff	359
Administration	9,095
Business	3,110
Operation and Maintenance	11,603
Pupil Transportation	41,944
Food Services	6,671
Extracurricular Activities	9,743
Total Depreciation Expense	<u>\$ 741,033</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 10: CAPITAL LEASES – LESSEE DISCLOSURE

During prior fiscal years, the District entered into capitalized leases for a bus, van, and maintenance 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 \$98,541. 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 2012 totaled \$18,752 paid by the General Fund. Accumulated depreciation totaled \$30,472 resulting in a net book value of \$68,069 at June 30, 2012.

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, 2012:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2013	\$ 20,516
2014	9,016
2015	7,348
2016	<u>7,348</u>
Total Minimum Lease Payments	44,228
Less: Amount Representing Interest	<u>(3,978)</u>
Total	<u><u>\$ 40,250</u></u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 11: LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 6/30/2011	Additions	Reductions	Balance Outstanding 6/30/2012	Amounts Due in One Year
Governmental Activities						
<u>General Obligations Bonds:</u>						
School Facilities, Series 1999						
Capital Appreciation	7.64%	59,272	-	(59,272)	-	-
Accreted Interest		80,488	5,240	(85,728)	-	-
School Facilities Refunding, Series 2007						
Current Interest	Various	1,900,000	-	(30,000)	1,870,000	175,000
Capital Appreciation	11.00%	139,971	-	-	139,971	-
Accreted Interest		66,130	23,160	-	89,290	-
Unamortized Premium		110,997	-	(9,722)	101,275	-
Deferred Amount on Refunding		(43,720)	-	3,829	(39,891)	-
Total General Obligations Bonds		2,313,138	28,400	(180,893)	2,160,645	175,000
<u>Other Obligations:</u>						
Capital Lease Obligation		59,002	-	(18,752)	40,250	18,524
Compensated Absences		616,394	302,067	(77,954)	840,507	97,538
Total Other Obligations		675,396	302,067	(96,706)	880,757	116,062
Total Long-term Obligations, Governmental Activities		\$ 2,988,534	\$ 330,467	\$ (277,599)	\$ 3,041,402	\$ 291,062

B. General Obligation Bonds

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

In conjunction with the 3.80 mils which support the bond issue, the District also passed in fiscal year 2000 a .5 mil 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.

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(CONTINUED)**

NOTE 11: **LONG-TERM OBLIGATIONS** (Continued)

The original issue was comprised of current interest bonds, par value \$2,130,000, serial bonds, par value \$855,000, and capital appreciation bonds, par value \$265,673. On December 3, 2007, the District refunded \$2,130,000 of the current interest bonds (see Note 10.C. for detail). The capital appreciation bonds mature each December 1, 2008 through 2011, (effective interest 7.639 percent, 7.701 percent, 7.634 percent, and 7.639 percent, respectively) at redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$580,000.

The final capital appreciation bond matured during fiscal year 2012.

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

The refunding issue is comprised of both current interest bonds, par value \$1,990,000, and capital appreciation bonds, par value \$139,971. The interest rates on the current interest bonds range from 3.75 percent to 4.00 percent. The capital appreciation bonds mature on December 1, 2017 and December 1, 2018, (effective interest 4.05 percent to 4.15 percent) at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$430,000. Total accreted interest of \$89,290 has been included in the statement of net assets. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2022.

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

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 175,000	\$ 69,383	\$ 244,383	\$ -	\$ -	\$ -
2014	185,000	63,394	248,394	-	-	-
2015	190,000	56,363	246,363	-	-	-
2016	200,000	48,800	248,800	-	-	-
2017	205,000	40,700	245,700	-	-	-
2018-2022	675,000	143,300	818,300	73,730	141,270	215,000
2023-2027	240,000	4,800	244,800	66,241	148,759	215,000
Total	<u>\$ 1,870,000</u>	<u>\$ 426,740</u>	<u>\$ 2,296,740</u>	<u>\$ 139,971</u>	<u>\$ 290,029</u>	<u>\$ 430,000</u>

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(CONTINUED)**

NOTE 11: **LONG-TERM OBLIGATIONS** (Continued)

C. **Other Long-Term Obligations**

Compensated absences will be paid from the fund from which the employee's salaries are paid. For the District, this is the general fund and food service fund (a nonmajor governmental fund). The capital lease obligations are described in Note 10.

D. **Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$6,536,516 (including available funds of \$393,894) and an unvoted debt margin of \$90,584.

NOTE 12: **RISK MANAGEMENT**

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

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy with the Schools of Ohio Risk Sharing Authority (SORSA), which includes boiler coverage. All vehicles are insured with SORSA. All board members, administrators and employees are covered under a school district liability policy with SORSA. The limits of this coverage are \$12,000,000 per occurrence and \$14,000,000 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 2011.

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 \$100,000. This coverage is provided by the SORSA.

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(CONTINUED)**

NOTE 12: **RISK MANAGEMENT** (Continued)

C. **Workers' Compensation**

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2 A). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

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

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

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

NOTE 13: **PENSION PLANS**

A. **School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

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(CONTINUED)**

NOTE 13: **PENSION PLANS** (Continued)

Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary and the District is required to contribute 14.00 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14.00 percent employer contribution rate is allocated to the Health Care and Medicare B funds. The District's pension and death benefits contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$160,598, \$149,143, \$154,604, respectively; 56.39 percent has been contributed for fiscal year 2012 and 100 percent for fiscal year 2011 and 2010.

B. State Teachers Retirement System of Ohio

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 Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)**

NOTE 13: **PENSION PLANS** (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.20 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.50 percent with an additional one-tenth of a percent added to the calculation for every year over 31 years (2.60 percent for 32 years, 2.70 percent for 33 years and so on) until 100.00 percent of the final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.50 percent instead of 2.20 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.50 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members’ designated beneficiary is entitled to receive the members’ account balance.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1.00 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3.00 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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(CONTINUED)**

NOTE 13: **PENSION PLANS** (Continued)

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For fiscal year ended June 30, 2011 (the latest information available), members were required to contribute 10.00 percent of their annual covered salary and the District was required to contribute 14.00 percent. Member and employer contribution rates were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10.00 percent for members and 14.00 percent for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14.00 percent contributed by the District, 13.00 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$549,584, \$550,951, \$539,081, respectively; 82.89 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Member and employer contributions actually made for the Defined Contribution and Combined Plan participants will be provided upon written request.

C. **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14: **POST-EMPLOYMENT BENEFITS**

A. **School Employees Retirement System**

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan described in Note 13, SERS administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

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(CONTINUED)**

NOTE 14: **POST-EMPLOYMENT BENEFITS** (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is 0.75 percent. For the fiscal years ended June 30, 2012, 2011, and 2010, the District's contributions to the Medicare Part B Plan were \$9,484, \$9,598, \$9,194, respectively; 56.39 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plan from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14.00 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14.00 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$25,794, \$36,487, \$28,443, respectively; 56.39 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

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(CONTINUED)**

NOTE 14: **POST-EMPLOYMENT BENEFITS** (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combine Plan that is a hybrid of the Defined Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.00 percent employer contribution rate, 1.00 percent of covered payroll was allocated to post-employment health care for years ended June 30, 2011, 2010 and 2009 (the latest information available). The 14.00 percent employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2012, 2011, and 2010, the District's contributions to post-employment health care were \$42,276, \$42,381, \$41,468, respectively; 82.89 percent has been contributed for 2012 and 100 percent for fiscal years 2011 and 2010.

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NOTES TO BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 15: BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures and Changes in Fund Balance - budget and actual (non-GAAP budgetary basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to constrain that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a part of assigned fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows

Net Change in Fund Balance	
GAAP Basis	\$ (260,817)
Net Adjustment for Revenue Accruals	(25,318)
Net Adjustments for Expenditure Accruals	27,756
Funds with Separate Legally Adopted Budgets	(8,215)
Adjustment for Encumbrances	(182,425)
Budget Basis	\$ (449,019)

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Special Rotary Fund and the Public School Support Fund.

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(CONTINUED)**

NOTE 16: CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is not currently party to legal proceedings.

NOTE 17: SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	Capital Improvements
Set-aside Balance as of June 30, 2011	\$ -
Current Year Set-aside Requirement	186,630
Current Year Qualifying Expenditures	(387,356)
Total	\$ (200,726)
Balance carried forward to Fiscal Year 2013	\$ -
Set-aside Balance as of June 30, 2012	\$ -

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(CONTINUED)**

NOTE 17: **SET-ASIDES** (Continued)

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 18: **FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund and all the other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Nonspendable</i>			
Materials and Supplies Inventory	\$ -	\$ 11,208	\$ 11,208
<i>Total Nonspendable</i>	<u>-</u>	<u>11,208</u>	<u>11,208</u>
<i>Restricted for</i>			
Debt Service	-	393,894	393,894
Classroom Facilities Maintenance	-	479,773	479,773
Food Service Operations	-	143,081	143,081
Extracurricular	-	130,521	130,521
Other Grants	-	2,754	2,754
Other Purposes	-	1,355	1,355
<i>Total Restricted</i>	<u>-</u>	<u>1,151,378</u>	<u>1,151,378</u>
<i>Assigned to</i>			
Fiscal Year 2013 Appropriations	532,836	-	532,836
Other Purposes	117,275	-	117,275
<i>Total Assigned</i>	<u>650,111</u>	<u>-</u>	<u>650,111</u>
<i>Unassigned (Deficit)</i>	869,003	(62,771)	806,232
Total Fund Balances	<u>\$ 1,519,114</u>	<u>\$ 1,099,815</u>	<u>\$ 2,618,929</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
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(CONTINUED)**

NOTE 19: **OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 97,925
Other Governmental	<u>16,950</u>
Total	<u>\$ 114,875</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
Passed through Ohio Department of Education					
<i>Child Nutrition Cluster</i>					
National School Breakfast Program	10.553	\$ 41,471	\$ 0	\$ 41,471	\$ 0
National School Lunch Program-See Note 2	10.555	<u>200,403</u>	<u>23,180</u>	<u>200,403</u>	<u>23,180</u>
<i>Total Child Nutrition Cluster</i>		<u>241,874</u>	<u>23,180</u>	<u>241,874</u>	<u>23,180</u>
Total U.S. Department of Agriculture		<u>241,874</u>	<u>23,180</u>	<u>241,874</u>	<u>23,180</u>
U.S. Department of Education					
Passed through Ohio Department of Education					
<i>Title I Grant Cluster:</i>					
Title I - Grants to Local Education Agencies	84.010	117,633	0	147,031	0
ARRA - Title I - Grants to Local Education Agencies	84.389	<u>1,255</u>	<u>0</u>	<u>4,405</u>	<u>0</u>
<i>Total Title I Grant Cluster</i>		<u>118,888</u>	<u>0</u>	<u>151,436</u>	<u>0</u>
<i>Special Education Cluster:</i>					
Special Education Grants to States - IDEA, Part B	84.027	174,477	0	205,838	0
ARRA - Special Education Grants to States - IDEA, Part B	84.391	<u>5,680</u>	<u>0</u>	<u>13,370</u>	<u>0</u>
<i>Total Special Education Cluster</i>		<u>180,157</u>	<u>0</u>	<u>219,208</u>	<u>0</u>
Education Jobs Fund	84.410	<u>239,385</u>	<u>0</u>	<u>289,602</u>	<u>0</u>
Education Technology State Grants, Title II-D	84.318	<u>768</u>	<u>0</u>	<u>768</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	<u>41,120</u>	<u>0</u>	<u>49,411</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund	84.394	<u>0</u>	<u>0</u>	<u>25,323</u>	<u>0</u>
Total U.S. Department of Education		<u>580,318</u>	<u>0</u>	<u>735,748</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 822,192</u>	<u>\$ 23,180</u>	<u>\$ 977,622</u>	<u>\$ 23,180</u>

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2: CHILD NUTRITION CLUSTER

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

NOTE 3: FOOD DONATION PROGRAM

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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the New London Local School District, Huron County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the New London Local School District, Ohio's basic financial statements and have issued our report thereon dated December 4, 2012. 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

Management of the New London Local School District, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the New London Local School District, Ohio'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 the New London Local School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the New London Local School District, Ohio's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New London Local School District, Ohio'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*.

We noted certain matters that we reported to the management of the New London Local School District, Ohio, in a separate letter dated December 4, 2012.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, 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.


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

December 4, 2012

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

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the New London Local School District, Huron County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the New London Local School District, Ohio's major federal programs for the year ended June 30, 2012. The New London Local School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the New London Local School District, Ohio's management. Our responsibility is to express an opinion on the New London Local School District, Ohio'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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the New London Local School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the New London Local School District, Ohio's compliance with those requirements.

In our opinion, the New London Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, the Board of Education, others within the entity, 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.


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

December 4, 2012

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2012(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2012(v)	Type of Major Program's Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list): Child Nutrition Cluster: National School Breakfast Program - CFDA # 10.553 National School Lunch Program - CFDA # 10.555	
2012(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2012(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

Management letter recommendations as of June 30, 2011, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

NEW LONDON LOCAL SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2013**