



**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
FINANCIAL SECTION	
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Similar Fiduciary Type Fund	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - All Governmental Fund Types and Similar Fiduciary Fund Type	6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Equity - All Proprietary Fund Types and Similar Fiduciary Fund Type	9
Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Fiduciary Fund Type	10
Notes to the General Purpose Financial Statements	11
Schedule of Federal Awards Receipts and Expenditures	35
Notes to Schedule of Federal Awards Receipts and Expenditures	36
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	39
Schedule of Findings	41

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
London City School District
Madison County
60 South Walnut Street
London, Ohio 43140

We have audited the accompanying general-purpose financial statements of the London City School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

December 1, 2000

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**London City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special	Debt	Capital	Fund Type	Trust and	General	General	2000
		Revenue	Service	Projects	Enterprise	Agency	Fixed Assets	Long Term	(Memorandum)
Assets and Other Debits:									
Equity in Pooled Cash and	\$ 1,065,312	301,553	1,950	54,051	89,974	199,061	0	0	\$ 1,711,901
Restricted Cash	159,696	0	0	0	0	0	0	0	159,696
Taxes Receivable	5,092,096	0	0	0	0	0	0	0	5,092,096
Interfund Receivables	17,663	0	0	0	0	0	0	0	17,663
Due from Other Funds	0	0	0	0	0	12,954	0	0	12,954
Intergovernmental Receivables	14,996	41,705	0	0	0	0	0	0	56,701
Accounts Receivable	15,436	2,388	0	0	107	2,259	0	0	20,190
Supplies Inventory	0	0	0	0	236	0	0	0	236
Inventory for Resale	0	0	0	0	2,754	0	0	0	2,754
Net Property, Plant & Equipment	0	0	0	0	41,612	0	13,793,115	0	13,834,727
Amount Available in Debt Service	0	0	0	0	0	0	0	1,950	1,950
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	1,454,570	1,454,570
Total Assets and Other Debits	\$ 6,365,199	345,646	1,950	54,051	134,683	214,274	13,793,115	1,456,520	\$ 22,365,438

(Continued)

**London City School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2000**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special	Debt	Capital	Fund Type	Trust and	General	General	(Memorandum)
		Revenue	Service	Projects	Enterprise	Agency	Fixed Assets	Long Term	2000 (Only)
Liabilities:									
Interfund Payables	\$ 0	17,663	0	0	0	0	0	0	\$ 17,663
Due to Other Funds	11,721	917	0	0	316	0	0	0	12,954
Intergovernmental Payable	193,104	1,059	0	0	15,519	133,776	0	102,409	445,867
Accounts Payable	31,095	14,703	0	6,234	2,473	968	0	0	55,473
Accrued Salaries and Benefits	996,514	81,051	0	0	28,137	0	0	0	1,105,702
Deferred Revenue	3,197,481	0	0	0	3,987	0	0	0	3,201,468
Due to Others	0	0	0	0	0	45,312	0	0	45,312
Notes Payable	0	0	0	0	0	0	0	440,000	440,000
Leases Payable	0	0	0	0	0	0	0	31,033	31,033
Compensated Absences Payable	10,646	0	0	0	1,709	0	0	883,078	895,433
Total Liabilities	4,440,561	115,393	0	6,234	52,141	180,056	0	1,456,520	6,250,905
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	13,793,115	0	13,793,115
Retained Earnings	0	0	0	0	82,542	0	0	0	82,542
Fund Balances:									
Reserved for Encumbrances	244,034	8,872	0	0	0	25	0	0	252,931
Reserved for Contributions	0	0	0	0	0	16,368	0	0	16,368
Reserved for Textbook Acquisition	5,525	0	0	0	0	0	0	0	5,525
Reserved for Budget Stabilization	154,171	0	0	0	0	0	0	0	154,171
Reserved for Future Appropriation	1,894,615	0	0	0	0	0	0	0	1,894,615
Unreserved Fund Balance	(373,707)	221,381	1,950	47,817	0	17,825	0	0	(84,734)
Total Fund Equity	1,924,638	230,253	1,950	47,817	0	34,218	0	0	2,238,876
Total Fund Balances/Retained Earnings and Other	1,924,638	230,253	1,950	47,817	82,542	34,218	13,793,115	0	16,114,533
Total Liabilities, Fund Equity, and Other Credits	\$ 6,365,199	345,646	1,950	54,051	134,683	214,274	13,793,115	1,456,520	\$ 22,365,438

See Accompanying Notes to the General Purpose Financial Statements

London City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Project	Fund Types Expendable Trust	(Memorandum) (Only)
REVENUES:						
Taxes	\$ 6,913,025	0	113,830	0	0	\$ 7,026,855
Tuition	43,944	0	0	0	0	43,944
Earnings on Investments	123,292	0	0	0	0	123,292
Extracurricular Activities	26,940	168,819	0	0	1,402	197,161
Classroom Materials and Fees	412	0	0	0	0	412
Miscellaneous	26,860	101,458	0	0	5,796	134,114
Revenue from Intermediate Sources						
Restricted Grants-in-Aid	0	3,020	0	0	0	3,020
Revenue For/On Behalf of District	0	0	0	24,248	0	24,248
Revenue from State Sources						
Unrestricted Grants-in-Aid	5,823,526	50,000	12,539	1,139	0	5,887,204
Restricted Grants-in-Aid	55,171	198,343	0	0	0	253,514
Revenue from Federal Sources						
Unrestricted Grants -in-Aid	12,394	0	0	0	0	12,394
Restricted Grants-in-Aid	0	678,296	0	0	0	678,296
Total Revenue	13,025,564	1,199,936	126,369	25,387	7,198	14,384,454
EXPENDITURES:						
Instruction						
Regular	5,445,856	277,182	0	0	0	5,723,038
Special	984,913	435,532	0	0	0	1,420,445
Vocational	186,577	11,384	0	0	0	197,961
Adult/Continuing Instruction	564	38,266	0	0	0	38,830
Supporting Services						
Pupils	455,602	14,815	0	0	0	470,417
Instructional Staff	409,941	86,028	0	0	0	495,969
Board of Education	38,262	0	0	0	0	38,262
Administration	1,114,907	8,541	0	0	0	1,123,448
Fiscal Services	309,761	0	2,884	0	0	312,645
Operation & Maintenance-Plant	1,035,010	10,387	0	11,145	0	1,056,542
Pupil Transportation	524,825	4,616	0	0	0	529,441
Central	67,649	5,347	0	0	0	72,996
Operation of Non-Instructional Services						
Food Service/ Community Services	6,805	47,562	0	0	0	54,367
Extracurricular Activities						
Academic & Subject Oriented	31,119	14,714	0	0	0	45,833
Sports Oriented	192,355	117,576	0	0	0	309,931
Co-Curricular Activities	84,577	74,266	0	0	3,952	162,795
Capital Outlay						
Architecture & Engineering	85,027	0	0	0	0	85,027
Debt Service						
Repayment of Debt	0	0	378,178	0	0	378,178
Total Expenditures	10,973,750	1,146,216	381,062	11,145	3,952	12,516,125
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	2,051,814	53,720	(254,693)	14,242	3,246	1,868,329
Other Financing Sources and Uses:						
Other Financing Sources						
Sale & Loss of Assets	3,701	0	0	0	0	3,701
Transfers-In	0	0	138,105	33,575	0	171,680
Refund of Prior Years Expenditures	1,503	0	0	0	0	1,503
Other Financing Uses						
Transfer-Out	(138,105)	0	(33,575)	0	0	(171,680)
Refund of Prior Years Receipts	0	(4,110)	0	0	0	(4,110)
Net Other Financing Sources and Uses	(132,901)	(4,110)	104,530	33,575	0	1,094
Excess (Deficiency) of Revenues and Other Sources Over Expenditures						
Disbursements and Other Uses	1,918,913	49,610	(150,163)	47,817	3,246	1,869,423
Beginning Fund Balance	5,725	180,643	152,113	0	13,373	351,854
Ending Fund Balance	\$ 1,924,638	230,253	1,950	47,817	16,619	\$ 2,221,277

See Accompanying Notes to the General Purpose Financial Statements

London City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type- Continued
Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 5,100,860	5,100,860	0	0	0	\$ 0
Tuition	36,514	36,514	0	0	0	0
Earnings on Investment	113,705	119,501	5,796	0	0	0
Extracurricular Activities	22,655	26,940	4,285	206,743	154,809	(51,934)
Classroom Materials and Fees	412	412	0	0	0	0
Miscellaneous	19,205	19,725	520	98,288	101,445	3,157
Intermediate Restricted Grants-in-Aid	0	0	0	3,020	3,020	0
Revenue for/on Behalf of District	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	5,823,526	5,823,526	0	50,000	50,000	0
State Restricted Grants-in-Aid	55,171	55,171	0	197,343	197,343	0
Federal Unrestricted Grants-in-Aid	6,801	12,394	5,593	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	626,364	646,137	19,773
Total Revenue	11,178,849	11,195,043	16,194	1,181,758	1,152,754	(29,004)
Expenditures:						
Regular Instruction	5,469,235	5,450,169	19,066	388,101	286,806	101,295
Special Instruction	944,540	943,021	1,519	456,187	423,813	32,374
Vocational Instruction	179,949	177,868	2,081	11,384	11,384	0
Adult/Continuing Instruction	0	(45)	45	44,341	36,466	7,875
Support Services-Pupils	461,804	458,799	3,005	17,044	14,016	3,028
Support Services-Instructional Staff	391,027	385,162	5,865	105,773	82,701	23,072
Support Services-Board of Education	40,347	39,622	725	0	0	0
Support Services-Administration	1,144,302	1,136,437	7,865	9,977	8,538	1,439
Fiscal Services	310,852	310,511	341	3,256	0	3,256
Operation & Maintenance-Plant	1,108,087	1,101,739	6,348	6,670	4,124	2,546
Support Services-Transportation	521,162	518,566	2,596	4,616	4,616	0
Support Services-Central	68,795	68,631	164	27,270	5,422	21,848
Food Service Operations	5,987	5,954	33	0	0	0
Community Services	0	0	0	50,041	46,804	3,237
Academic & Subject Oriented	31,995	30,458	1,537	16,860	14,714	2,146
Sports Oriented	189,339	187,960	1,379	129,178	122,392	6,786
Co-Curricular Activities	84,228	83,636	592	76,805	63,842	12,963
Building Acquisition & Construction	8,600	8,600	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	10,960,249	10,907,088	53,161	1,347,503	1,125,638	221,865
Excess of Revenue Over (Under) Expenditures	218,600	287,955	69,355	(165,745)	27,116	192,861
Other Financing Sources (Uses):						
Transfers-In	0	0	0	0	0	0
Advances-In	35,129	35,129	0	0	1,227	1,227
Refund of Prior Years Expenditures	1,313	1,503	190	0	0	0
Transfers-Out	(214,532)	(214,532)	0	0	0	0
Advances-Out	(1,227)	(1,227)	0	0	(35,129)	(35,129)
Refund of Prior Years Receipts	0	0	0	(4,110)	(4,110)	0
Total Other Sources (Uses)	(179,317)	(179,127)	190	(4,110)	(38,012)	(33,902)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	39,283	108,828	69,545	(169,855)	(10,896)	158,959
Beginning Fund Balance	787,578	787,578	--	143,002	143,002	--
Prior Year Carry Over Encumbrances	84,605	84,605	--	160,209	160,209	--
Ending Fund Balance	\$ 911,466	981,011	69,545	133,356	292,315	\$ 158,959

(Continued)

London City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type- Continued
Year Ended June 30, 2000

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 117,922	117,922	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Intermediate Restricted Grants-in-Aid	0	0	0	24,248	24,248	0
Revenue for/on Behalf of District	0	0	0	1,139	1,139	0
State Unrestricted Grants-in-Aid	12,539	12,539	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	130,461	130,461	0	25,387	25,387	0
Expenditures:						
Regular Instruction	0	0	0	0	0	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	2,884	2,884	0	0	0	0
Operation & Maintenance-Plant	0	0	0	18,301	16,084	2,217
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Service Operations	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Building Acquisition & Construction	0	0	0	0	0	0
Repayment of Debt	380,128	378,178	1,950	0	0	0
Total Expenditures	383,012	381,062	1,950	18,301	16,084	2,217
Excess of Revenue Over (Under) Expenditures	(252,551)	(250,601)	1,950	7,086	9,303	2,217
Other Financing Sources (Uses):						
Transfers-In	138,105	138,105	0	33,575	33,575	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	(33,575)	(33,575)	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Years Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	104,530	104,530	0	33,575	33,575	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(148,021)	(146,071)	1,950	40,661	42,878	2,217
Beginning Fund Balance	148,021	148,021	--	0	0	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$ 0	1,950	1,950	40,661	42,878	\$ 2,217

(Continued)

London City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2000

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	5,218,782	5,218,782	\$ 0
Tuition	0	0	0	36,514	36,514	0
Earnings on Investment	0	0	0	113,705	119,501	5,796
Extracurricular Activities	1,228	1,347	119	230,626	183,096	(47,530)
Classroom Materials and Fees	0	0	0	412	412	0
Miscellaneous	5,615	5,736	121	123,108	126,906	3,798
Intermediate Restricted Grants-in-Aid	0	0	0	27,268	27,268	0
Revenue for/on Behalf of District	0	0	0	1,139	1,139	0
State Unrestricted Grants-in-Aid	0	0	0	5,886,065	5,886,065	0
State Restricted Grants-in-Aid	0	0	0	252,514	252,514	0
Federal Unrestricted Grants-in-Aid	0	0	0	6,801	12,394	5,593
Federal Restricted Grants-in-Aid	0	0	0	626,364	646,137	19,773
Total Revenue	6,843	7,083	240	12,523,298	12,510,728	(12,570)
Expenditures:						
Regular Instruction	0	0	0	5,857,336	5,736,975	120,361
Special Instruction	0	0	0	1,400,727	1,366,834	33,893
Vocational Instruction	0	0	0	191,333	189,252	2,081
Adult/Continuing Instruction	0	0	0	44,341	36,421	7,920
Support Services-Pupils	0	0	0	478,848	472,815	6,033
Support Services-Instructional Staff	0	0	0	496,800	467,863	28,937
Support Services-Board of Education	0	0	0	40,347	39,622	725
Support Services-Administration	0	0	0	1,154,279	1,144,975	9,304
Fiscal Services	0	0	0	316,992	313,395	3,597
Operation & Maintenance-Plant	0	0	0	1,133,058	1,121,947	11,111
Support Services-Transportation	0	0	0	525,778	523,182	2,596
Support Services-Central	0	0	0	96,065	74,053	22,012
Food Service Operations	0	0	0	5,987	5,954	33
Community Services	0	0	0	50,041	46,804	3,237
Academic & Subject Oriented	0	0	0	48,855	45,172	3,683
Sports Oriented	0	0	0	318,517	310,352	8,165
Co-Curricular Activities	15,330	3,977	11,353	176,363	151,455	24,908
Building Acquisition & Construction	0	0	0	8,600	8,600	0
Repayment of Debt	0	0	0	380,128	378,178	1,950
Total Expenditures	15,330	3,977	11,353	12,724,395	12,433,849	290,546
Excess of Revenue Over (Under) Expenditures	(8,487)	3,106	11,593	(201,097)	76,879	277,976
Other Financing Sources (Uses):						
Transfers-In	0	0	0	171,680	171,680	0
Advances-In	0	0	0	35,129	36,356	1,227
Refund of Prior Years Expenditures	0	0	0	1,313	1,503	190
Transfers-Out	0	0	0	(248,107)	(248,107)	0
Advances-Out	0	0	0	(1,227)	(36,356)	(35,129)
Refund of Prior Years Receipts	0	0	0	(4,110)	(4,110)	0
Total Other Sources (Uses)	0	0	0	(45,322)	(79,034)	(33,712)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,487)	3,106	11,593	(246,419)	(2,155)	244,264
Beginning Fund Balance	13,374	13,374	--	1,091,975	1,091,975	--
Prior Year Carry Over Encumbrances	0	0	--	244,814	244,814	--
Ending Fund Balance	\$ 4,887	16,480	11,593	1,090,370	1,334,634	\$ 244,264

See Accompanying Notes to the General Purpose Financial Statements

London City School District
Combined Statement of Revenues, Expenses, and Changes in Retained
Earnings/Fund Equity
All Proprietary Fund Types and Similar Fiduciary Type Fund
Year Ended June 30, 2000

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Funds	Non- Expendable Trust Funds	
Operating Revenues:			
Food Service	\$ 278,466	0	\$ 278,466
Classroom Materials & Fees	59,001	0	59,001
Earnings On Investments	0	722	722
Total Operating Revenue	<u>337,467</u>	<u>722</u>	<u>338,189</u>
Operating Expenses:			
Personal Services - Salary	156,686	0	156,686
Employee Benefits	61,071	0	61,071
Purchased Services	7,665	457	8,122
Supplies and Materials	266,277	0	266,277
Depreciation	7,255	0	7,255
Total Operating Expenses	<u>498,954</u>	<u>457</u>	<u>499,411</u>
Operating Income (Loss)	(161,487)	265	(161,222)
Non-Operating Revenues:			
Earnings On Investments	3,303	0	3,303
State Unrestricted Grants-In-Aid	9,696	0	9,696
Federal Unrestricted Grants-In-Aid	173,373	0	173,373
Total Non-Operating Revenues	<u>186,372</u>	<u>0</u>	<u>186,372</u>
Net Income	24,885	265	25,150
Beginning Retained Earnings/Fund Equity	<u>57,657</u>	<u>17,332</u>	<u>74,989</u>
Retained Earnings/ Fund Equity at End of Year	<u>\$ 82,542</u>	<u>17,597</u>	<u>\$ 100,139</u>

See Accompanying Notes to the General Purpose Financial Statements

London City School District
Combined Statement of Changes in Cash Flows
All Proprietary Fund Types and Similar Fiduciary Type Fund
Year Ended June 30, 2000

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Non- Expendable Trust Funds	
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ (161,487)	265	\$ (161,222)
Adjustment to Reconcile Operating Gain (Loss)			
To Net Cash used in Operating Activities:			
Depreciation	7,255	0	7,255
Net (Increase) Decrease in Assets:			
Intergovernmental Receivable	19,416	0	19,416
Accounts Receivable	(106)	17	(89)
Inventory	2,307	0	2,307
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	316	0	316
Accounts Payable	1,427	0	1,427
Intergovernmental Payable	(2,218)	0	(2,218)
Deferred Revenue	573	0	573
Accrued Wages and Benefits	5,995	0	5,995
Compensated Absences	(12,797)	0	(12,797)
Total Adjustments	22,168	17	22,185
Net Cash Used in Operating Activities	(139,319)	282	(139,037)
Cash Flows from Noncapital Activities:			
Investment Earnings	3,303	0	3,303
Grants from State Sources	9,696	0	9,696
Grants from Federal Sources	140,799	0	140,799
Federal Commodities	32,574	0	32,574
Net Cash Provided by Noncapital Financing Sources	186,372	0	186,372
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(576)	0	(576)
Net Cash Provided by Capital Financing Sources	(576)	0	(576)
Net Decrease in Cash & Cash Equivalents	46,477	282	46,759
Cash and Cash Equivalents at Beginning of Year	43,497	16,683	60,180
Cash and Cash Equivalents at End of Year	\$ 89,974	16,965	\$ 106,939
See Accompanying Notes to the General Purpose Financial Statements			

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the London City School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.2 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999 was 2,198. The District employed 158 certified employees and 75 non-certificated employees. The District cooperates for services with the Madison /Champaign County Educational Service Center, a separate entity, for curricular services.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds

These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds

These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Nonexpendable Trust Funds

These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds

These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group

This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group

This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

- b) Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2001 operations, have been recorded as deferred revenues.

- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting" the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.

- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets upon review of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined

Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP basis are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet. During fiscal year 2000, investments were limited to STAR Ohio, repurchase agreements, federal agency securities, and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

For the District, all investment earnings accrue to the General Fund, Enterprise Fund and Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2000 totaled \$127,318. Interest income accrued in the General Fund for fiscal year 2000 totaled \$123,292 which included 63,000 assigned from other funds. The Enterprise Fund and Non-expendable Trust fund interest accrued for fiscal year 2000 in the amounts of \$3,303 and \$722 respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2000. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2000 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. The District had no inventory for governmental funds at June 30, 2000. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District maintains a capitalization threshold of five hundred dollars for general fixed assets. No threshold is used for proprietary fixed assets. The District does not capitalize any infrastructure.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

- State Foundation Program
- State Homestead & Rollback Property Tax Exemption
- School Bus Funding

Capital Projects Funds

- School Net Grant
- School Net Plus Grant
- Special Revenue Funds
- Educational Management Information Systems
- Auxiliary Services

Non-Reimbursable Grants:

Special Revenue Funds

- Career Education
- Block Grant
- Early Childhood Grant
- Power Up Capacity Grant
- Miscellaneous State Grants
- Able Grant
- Title I
- Title VI
- Drug Free Schools
- Eisenhower Math/Science
- Preschool Grant
- Goals 2000
- Title VIR

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- Tutor Reimbursement

Special Revenue Fund

- Telecommunications Act Grant Fund (E-Rate)

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 47% of the District's operating revenue during the 2000 fiscal year.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2000, the District had \$17,663 in "Interfund Receivables/Payables."

L. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments.

To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Restricted Assets

Restricted assets in the General Fund represent cash set aside to establish a budget stabilization reserve. This budget stabilization reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

O. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for encumbrances, contributions, budget stabilization and future appropriation. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received for the current fiscal year. The reserve for contributions represents the principal for the Non-Expendable Trust Funds, these funds are held for investment. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

P. Estimates

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

Q. Memorandum Only - Total Columns

Total columns on the general purposes financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. FUND DEFICITS

Fund Deficits:

Fund balances/retained earnings at June 30, 2000, include the following individual fund deficits:

Special Revenue Fund:

Local Professional Development Block Grant	(16)
Power Up Grant	(16,437)
Title VI B	(4,147)
Drug Free Grant	(5,923)
Title VI R	(2,422)

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Funds

	Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$ 1,918,913	49,610	(150,163)	47,817	\$ 3,246
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	(1,830,521)	(47,182)	4,092	0	(115)
Due to Expenditures:					
Net Adjustments to Expenditure	(9,765)	20,578	0	(4,939)	(25)
Due to Other Sources/Uses	30,201	(33,902)	0	0	0
Budget Basis	<u>\$ 108,828</u>	<u>(10,896)</u>	<u>(146,071)</u>	<u>42,878</u>	<u>\$ 3,106</u>

4. CASH 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

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 money deposited with the institution.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. CASH 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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the District's deposits was (\$78,906) and the bank balance was \$76,667. Of the bank balance, all was covered by Federal Depository Insurance Corporation (FDIC).

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. CASH AND INVESTMENTS (Continued)

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase Agreements	0	0	9,421	9,421	9,421
Federal Agency Securities	0	832,041	0	832,041	834,067
STAR Ohio				1,109,043	1,109,043
Total Investments				<u>\$ 1,950,505</u>	<u>\$ 1,952,531</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,871,597	\$ 0
Investments:		
Repurchase Agreement	(9,421)	9,421
Federal Agency Securities	(832,041)	832,041
STAR Ohio	(1,109,043)	1,109,043
GASB Statement No. 3	<u>\$ (78,908)</u>	<u>\$ 1,950,505</u>

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Madison County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1999, an update is scheduled for 2002. The next revaluation is scheduled for 2005. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Madison County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Madison County Treasurer collects property tax on behalf of the District. The Madison County Auditor remits to the District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2000 for operations was \$37.30 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2000 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 32,704,290
Real Property-Residential/Agricultural	140,046,940
Personal Property-General	17,812,500
Personal Property-Public Utilities	<u>14,522,010</u>
Total Assessed Value	<u><u>\$ 205,085,740</u></u>

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (miscellaneous), 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education Reimb	\$ 6,900
Tuition	8,096
Sub Total	\$ 14,996
Special Revenue Fund:	
SchoolNet Professional Development	1,000
Title I	40,705
Sub Total	\$ 41,705
Grand Total	\$ 56,701

7. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2000:

Furniture and Equipment	\$ 224,111
Less Accumulated Depreciation	(182,499)
Net Fixed Assets	\$ 41,612

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2000:

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Land and Improvements	\$ 2,492,278	0	(1,203)	\$ 2,491,075
Buildings	6,623,695	0	0	6,623,695
Furniture and Equipment	3,701,158	183,974	(28,568)	3,856,564
Vehicles	794,826	67,955	(41,000)	821,781
Total General Fixed Assets	\$ 13,611,957	251,929	(70,771)	\$ 13,793,115

There was no significant construction in progress at June 30, 2000.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$244,008, \$239,046, and \$218,592, respectively; 44.2 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$154,259 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$893,808, \$852,192, and \$879,192, respectively; 83.3 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$148,968 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, no members of the Board of Education have elected Social Security.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$510,247 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$297,748,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$180,392 during the 2000 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximately 56,632.

10. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the Superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. COMPENSATED ABSENCES (Continued)

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-9	10 days
10-19	15 days
20 and beyond	20 days

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 255 days and for certified employees it is 285 days.

Employees who have been employed by the District for a minimum of ten consecutive years at the time of retirement are entitled to retirement severance pay. Severance pay is paid to an eligible retiring employee at his/her per diem rate of his/her annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 59 days for certified employees and 48 for classified employees.

11. RISK MANAGEMENT

A. General Risk

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 addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, the District maintains a \$3,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss. The District maintains replacement cost insurance on buildings and contents in the amount of \$23,595,130. Settled claims have not exceeded this commercial coverage in any of the past three years.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. 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 GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the school district by virtue of its grouping and representation with other participants in the GRP. 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 GRP.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. RISK MANAGEMENT (Continued)

A. General Risk (Continued)

Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

B. Health Insurance

Effective September 1997, the District changed from a self-insured program to a full indemnity program for health insurance coverage.

12. NOTES AND LONG-TERM DEBT

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$205,086. The voted debt limit at June 30, 2000 is \$18,457,717.

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance			Balance
	July 1, 1999	Additions	Deletions	June 30, 2000
Intergovernmental Payable	\$ 106,369	102,409	106,369	\$ 102,409
General Obligation Bonds Payable	230,000	0	230,000	0
Energy Notes Payable	550,000	0	110,000	440,000
Capital Leases Payable	46,952	0	15,919	31,033
Compensated Absences Payable	823,497	883,078	823,497	883,078
	<u>\$ 1,756,818</u>	<u>985,487</u>	<u>1,285,785</u>	<u>\$ 1,456,520</u>

The General Obligation Bonds relating to a project in 1979, for which bonds were issued for the purpose of constructing and equipping a new high school building and improving the site thereof matured in December 1999, and were in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. NOTES AND LONG-TERM DEBT (Continued)

The annual maturities of the Energy Conservation Notes as of June 30, 2000, and related interest payments are as follows:

Year	Principal	Interest	Payment
2001	\$ 115,000	21,745	\$ 136,745
2002	120,000	14,978	134,978
2003	50,000	10,380	60,380
2004	50,000	7,855	57,855
2005 and thereafter	105,000	8,135	113,135
	<u>\$ 440,000</u>	<u>63,093</u>	<u>\$ 503,093</u>

13. CAPITAL LEASES

The District is making installment payments on capital assets. This equipment has been capitalized in the general fixed assets account group. This obligation provides for interest at rates 12.8%, with an outstanding balance of \$31,033 in June 30, 2000.

The following is a schedule of future minimum lease payments required under capital leases and present value of the minimum lease payments for copiers in the Governmental funds as of June 30, 2000:

Year	Year Ending June 30
2001	\$ 19,488
2002	14,616
	<u>34,104</u>
Less interest:	3,071
Present Value of Minimum Lease Payments	<u>\$ 31,033</u>

14. INTERFUND TRANSACTIONS

At June 30, 2000, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 17,663	\$ 0
Special Revenue	0	17,663
	<u>\$ 17,663</u>	<u>\$ 17,663</u>

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2000, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Total
Operating Revenues	\$ 278,466	59,001	\$ 337,467
Operating Expenses:			
Depreciation	(7,255)	0	(7,255)
Other Expenses	(435,503)	(56,196)	(491,699)
Total Operating Expenses	(442,758)	(56,196)	(498,954)
Operating Loss	(164,292)	2,805	(161,487)
Non Operating Revenues			
State and Federal Grants	150,495	0	150,495
Federal Commodities	32,574	0	32,574
Earnings on Investments	3,303	0	3,303
Net Loss	<u>\$ 22,080</u>	<u>2,805</u>	<u>\$ 24,885</u>
Net Working Capital	<u>\$ 38,372</u>	<u>2,558</u>	<u>\$ 40,930</u>
Total Assets	<u>\$ 132,125</u>	<u>2,558</u>	<u>\$ 134,683</u>
Total Fund Equity/Retained	<u>\$ 79,984</u>	<u>2,558</u>	<u>\$ 82,542</u>

16. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council (MEC) - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC.

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

17. CONTINGENCIES (continued)

B. Litigation

Two former employees of the District, who are covered by the District's liability insurance, are subject to pending litigation proceedings. These pending matters are incidental and not related to District performing routine governmental and other functions. Based on the status of this pending legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements.

18. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$5,252,957 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

19. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1999	\$ 0	0	142,772	\$ 142,772
Current Year Set aside	261,694	261,694	88,734	612,123
Current Year Offsets	0	0	(77,335)	(77,335)
Qualifying Disbursements	(256,169)	(430,963)	0	(687,132)
Total	<u>\$ 5,525</u>	<u>(169,268)</u>	<u>154,171</u>	<u>\$ (9,572)</u>
Cash Balance Carried forward to FY2000	<u>\$ 5,525</u>	<u>0</u>	<u>154,171</u>	<u>\$ 159,696</u>

Although the District had offsets and qualifying disbursements during the year that reduced the Capital Acquisition set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirement of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster</i>						
Food Distribution		10.550	\$0	\$32,011	\$0	\$32,011
National School Breakfast Program	05-PU 00	10.553	12,615	0	12,615	0
National School Lunch Program	04-PU 00	10.555	<u>147,233</u>	<u>0</u>	<u>147,233</u>	<u>0</u>
Total U.S. Department of Agriculture- Child Nutrition Cluster			159,848	32,011	159,848	32,011
U.S. Department of Education						
<i>Pass through the Ohio Department of Education:</i>						
Adult Basic Education	AB-S1 99/00	84.002	51,992	0	51,992	0
Title I Grants to Local Educational Agencies	C1-S1 99/00	84.010	360,253	0	332,381	0
Safe and Drug Free Schools and Communities Grant	DR-S1 99/00	84.186	7,114	0	11,161	0
Title VI-Reducing Class Size Grant	CR-S1-00	84.340	52,783	0	47,350	0
Eisenhower Professional Development State Grant	MS-S1 99/00	84.281	7,769	0	7,938	0
Innovative Educational Program Strategies	C2-S1 99/00	84.298	10,275	0	5,896	0
CIP Implementation Grant	G2-S2 00	84.276	21,000	0	0	0
<i>Special Education Cluster</i>						
Special Education-Preschool Grant	PG-S1 00	84.173	10,666	0	9,222	0
Special Education-Grants to State	6B-SF 99/00	84.027	<u>109,136</u>	<u>0</u>	<u>112,211</u>	<u>0</u>
Total Special Education Cluster			119,802	0	121,433	0
Total U.S. Department of Education			<u>630,988</u>	<u>0</u>	<u>578,151</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$790,836</u>	<u>\$32,011</u>	<u>\$737,999</u>	<u>\$32,011</u>

The accompanying notes to this schedule are an integral part of this schedule

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

JUNE 30, 2000

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Education
London City School District
Madison County
60 South Walnut Street
London, Ohio 43140

We have audited the financial statements of London City School District, Madison County, Ohio (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 1, 2000.

London City School District
Madison County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

JIM PETRO
Auditor of State

December 1, 2000



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
London City School District
Madison County
60 South Walnut Street
London, Ohio 43140

Compliance

We have audited the compliance of London City School District, Madison County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

JIM PETRO
Auditor of State

December 1, 2000

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster 10.550,10.553,10.555 Title I 84.010
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

