

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

Single Audit

For the Fiscal Year Ended June 30, 2012





Dave Yost • Auditor of State

Board of Education
London City School District
380 Elm Street
London, Ohio 43140

We have reviewed the *Independent Accountants' Report* of the London City School District, Madison County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

March 18, 2013

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**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

London City School District
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2013, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
February 13, 2013

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the London City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements, and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- Net assets of governmental activities increased \$2.4 million.
- Total assets of governmental activities decreased \$4.5 million. Capital assets, net increased \$2.1 million. Current assets decreased \$6.7 million.
- General revenues accounted for \$20.7 million. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4.3. Total revenues equaled \$25.0 million.
- The District had \$22.7 million in expenses related to governmental activities; only \$4.3 million of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily grants, entitlements, property taxes, and income taxes) of \$20.7 million were adequate to provide for these programs.

Using the Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column. The major funds for the District are the General Fund, Debt Service Fund, and Ohio Classroom Facilities Fund.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2012?"

The Statement of Net Assets and the Statement of Activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page nine. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

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

Fiduciary Funds - The District's fiduciary funds are two private purpose trust funds and five agency funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for fiscal year 2012 and fiscal year 2011:

District Net Assets		
Governmental Activities		
	2012	<i>Restated</i> 2011
Current and Other Assets	\$ 15,075,700	\$ 21,752,950
Capital Assets, Net	54,747,308	52,621,066
Total Assets	69,823,008	74,374,016
Current Liabilities	6,197,448	11,376,953
Long-Term Liabilities	21,777,865	23,572,050
Total Liabilities	27,975,313	34,949,003
 Net Assets:		
Invested in Capital Assets, net of related debt	35,975,971	31,629,484
Restricted	4,517,819	8,340,365
Unrestricted	1,353,905	(544,836)
Total Net Assets	\$ 41,847,695	\$ 39,425,013

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Current and Other Assets decreased \$6.7 million. This decrease was primarily due to (1) the District's spending for classroom facilities building project, which caused cash and receivables to be less than the prior fiscal year; and (2) the phase out of federal stimulus dollars during fiscal year 2012, which caused receivables to be less than the prior year.

Capital Assets, Net increased \$2.1 million. This increase was mainly due to the assets being record in connection with the classroom facilities building project.

Total Liabilities decreased \$7.0 million. Long-Term Liabilities decreased \$1.8 million primarily due to annual debt payments made during the fiscal year. Current Liabilities decreased \$5.2 primarily due to a decrease in payables associated with the classroom facilities building project and decrease in unearned revenue at June 30, 2012.

Invested in Capital Assets, Net of Related Debt increased \$4.3 million. The increase is the result of the capital asset additions, primarily associated with classroom facilities building project, along with District's decrease debt balances. Restricted Net Assets decreased \$3.8 million as the District had a much smaller receivable relating to the Ohio School Facilities Commission grant and, as previously mentioned, the phase out of federal stimulus dollars during fiscal year 2012. Unrestricted Net Assets increased \$1.9 million due mainly to the District making cuts to expenditures during the fiscal year.

Table 2 shows the changes in net assets for fiscal years 2012 and 2011:

Change in Net Assets		
Governmental Activities		
	<u>2012</u>	<i>Restated</i> <u>2011</u>
Revenues:		
Program Revenues		
Charges for Services and Sales	\$ 2,536,854	\$ 2,825,157
Operating Grants and Contributions	1,787,467	3,114,090
Total Program Revenues	<u>4,324,321</u>	<u>5,939,247</u>
General Revenues		
Property Taxes	7,874,356	8,169,637
Income Taxes	3,390,954	2,824,179
Payments in Lieu of Taxes	130,877	231,927
Grants and Entitlements	9,070,833	9,091,857
Interest	15,122	25,909
Other Revenue	258,369	182,013
Total General Revenue	<u>20,740,511</u>	<u>20,525,522</u>
Total Revenues	<u>25,064,832</u>	<u>26,464,769</u>
Expenses:		
Program Expenses		
Instruction	13,615,169	13,392,802
Support Services	6,687,146	8,957,094
Non-Instructional	561,791	905,379
Extra Curricular Activities	712,142	900,060
Interest and Fiscal Charges	1,065,902	1,243,552
Total Expenses	<u>22,642,150</u>	<u>25,398,887</u>
Changes in Net Assets	<u>2,422,682</u>	<u>1,065,882</u>
Net Assets at Beginning of Year, Restated	39,425,013	38,359,131
Net Assets at End of Year	<u>\$ 41,847,695</u>	<u>\$ 39,425,013</u>

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Program revenues decreased \$1.6 million due primarily to decreases in Operating Grants and Contributions of \$1.3. The change in Operating Grants and Contributions is primarily due to a decrease in federal grant revenue resulting from the phase out of federal stimulus dollars during fiscal year 2012.

Program Expenses decreased \$2.8 million. Support Services expenditures decreased \$2.3 million due mainly to decreases in Instructional Staff, Administration, and Operation and Maintenance of Plant. These decreases are due mainly to the District operating newer buildings and being diligent in making cuts to expenditures whenever possible.

The following table indicates the total cost of services and the net cost of services for governmental activities. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2012 to 2011 follows:

	Fiscal Year 2012		<i>Restated</i> Fiscal Year 2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$ 13,615,169	\$ 11,148,797	\$ 13,392,802	\$ 9,183,297
Support Services	6,687,146	6,000,642	8,957,094	8,276,969
Non-Instructional	561,791	(380,158)	905,379	72,195
Extra Curricular Activities	712,142	482,646	900,060	683,627
Interest and Fiscal Charges	1,065,902	1,065,902	1,243,552	1,243,552
Total Expenses	<u>\$ 22,642,150</u>	<u>\$ 18,317,829</u>	<u>\$ 25,398,887</u>	<u>\$ 19,459,640</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Program revenues offset only 19 percent of instruction activities. For all governmental activities, support from general revenues is 81 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$7.8 million, a decrease of \$634,954 in comparison with the prior year. Of this amount, approximately \$2.2 million constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance not available for new spending because it is; (1) restricted for specific purposes (\$4.5 million); (2) committed for specific purposes (\$286,400); or (3) assigned to specific purposes (\$812,782).

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2012 and 2011.

	Fund Balance	<i>Restated</i> Fund Balance	Increase
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>(Decrease)</u>
General Fund	\$ 3,077,019	\$ 1,089,188	\$ 1,987,831
Debt Service Fund	3,085,355	2,840,228	245,127
Ohio Classroom Facilities Fund	490,128	3,377,911	(2,887,783)
Other Governmental Funds	1,154,976	1,135,105	19,871
Total	<u>\$ 7,807,478</u>	<u>\$ 8,442,432</u>	<u>\$ (634,954)</u>

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2.3 million, while total fund balance was \$3.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12 percent of total general fund expenditures, while total fund balance represents 17 percent of that same amount.

The Debt Service fund balance decreased \$245,127, during the current fiscal year. The increase represents the amount in which property tax and related receipts exceeded debt service disbursements during the fiscal year.

The District's Ohio Classroom Facilities fund balance decreased by \$2.9 million, during the current fiscal year. This significant decrease represents the amount in which construction disbursements exceeded OSFC grant receipts during the fiscal year.

General Fund – Budget Highlights

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

During fiscal year 2012, the District revised its budget as it attempted to deal with unexpected changes in expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 15, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, original estimated revenues were \$18.4 million and final estimated revenues were \$19.9 million, resulting in a difference of \$1.5.

Final estimated revenues were \$19.9 million and actual revenues were \$17.4 million. The difference of \$2.5 million is due the District over estimating the amount of Property and Other Local Taxes to be received.

Final estimated expenditures were \$19.1 million, with original estimated expenditures of \$17.9 million, resulting in a difference of \$1.2 million, due to the District anticipating increases in various expenditures.

Final estimated expenditures were \$19.1, with actual expenditures of \$18.3 million, resulting in a difference of \$795,209, due to the District conservatively watching expenditures.

The District's ending actual fund balance in the General Fund was \$1.1 million, while the final budgeted fund balance equaled \$2.8 million, a difference of \$1.7 million. This difference was primarily due to the District over estimating the amount of Property and Other Local Taxes to be received.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Capital Assets

At fiscal year-end, the District had \$54.7 million (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture, equipment and fixtures, vehicles, and textbooks and software, an increase of \$2.1 million in comparison with the prior fiscal year. This increase represents the amount in which current year additions of \$5.4 million exceeded current year deletions (\$1.1 million) and depreciation (\$2.1 million).

See Note 10 to the basic financial statements for additional information on Capital Assets.

Debt

At fiscal year-end, the District's debt totaled \$20.8 million, a decrease of \$1.6 million in comparison with the prior fiscal year. This decrease represents the amount in which current year principal reductions totaling \$6.4 million exceeded new debt issued, totaling \$4.8 million.

See Note 15 to the basic financial statements for additional information on long-term obligations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. For questions about this report or additional information, contact Ms. Kristine Blind, Treasurer of London City District, 380 Elm Street, London, Ohio 43140.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

	Primary Government Governmental Activities	Component Unit London Academy
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 5,336,457	\$ -
Cash and Cash Equivalents	-	220,535
Property Taxes Receivable	7,521,915	-
Income Taxes Receivable	1,315,555	-
Revenue in Lieu of Taxes Receivable	104,677	-
Intergovernmental Receivable	446,111	18,487
Accounts Receivable	31,398	-
Materials and Supplies Inventory	9,139	-
Deferred Charges	244,823	-
Due from Component Unit	65,625	-
Non-Depreciable Capital Assets	665,130	-
Depreciable Capital Assets, Net	54,082,178	1,545
Total Assets	69,823,008	240,567
Liabilities:		
Accounts Payable	37,469	1,155
Contracts Payable	142,224	-
Accrued Wages and Benefits	1,929,521	-
Intergovernmental Payable	484,368	-
Retainage Payable	224,771	-
Unearned Revenue	3,324,460	-
Accrued Interest Payable	54,635	-
Due to Primary Government	-	65,625
Long-Term Liabilities:		
Due within One Year	2,614,552	-
Due in More Than One Year	19,163,313	-
Total Liabilities	27,975,313	66,780
Net Assets:		
Invested in Capital Assets, Net of Related Debt	35,975,971	1,545
Restricted for:		
Debt Service	3,087,168	-
Capital Projects	623,457	-
Food Services	96,158	-
Classroom Facilities Maintenance	576,020	-
Student Activities	64,689	-
State and Federal Grants	70,327	-
Unrestricted	1,353,905	172,242
Total Net Assets	\$ 41,847,695	\$ 173,787

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	London Academy
Governmental Activities					
Instruction					
Regular	\$ 10,620,760	\$ 1,568,872	\$ 15,982	\$ (9,035,906)	\$ -
Special	2,669,452	301,792	534,164	(1,833,496)	-
Vocational	282,823	11,238	-	(271,585)	-
Adult/Continuing	40,980	-	34,280	(6,700)	-
Other	1,154	44	-	(1,110)	-
Support Services					
Pupils	1,123,169	28,206	176,291	(918,672)	-
Instructional Staff	784,886	23,341	213,675	(547,870)	-
Board of Education	97,692	10,546	-	(87,146)	-
Administration	1,499,246	83,498	42,119	(1,373,629)	-
Fiscal	598,127	3,965	-	(594,162)	-
Business	28,554	-	-	(28,554)	-
Operation and Maintenance of Plant	1,351,458	3,433	885	(1,347,140)	-
Pupil Transportation	861,968	231	76,243	(785,494)	-
Central	342,046	10,994	13,077	(317,975)	-
Non-instructional Services					
Food Service	420,598	261,198	500,433	341,033	-
Other	141,193	-	180,318	39,125	-
Extra Curricular Activities	712,142	229,496	-	(482,646)	-
Interest and Fiscal Charges	1,065,902	-	-	(1,065,902)	-
Total Governmental Activities	\$ 22,642,150	\$ 2,536,854	\$ 1,787,467	(18,317,829)	-
Component Unit					
London Academy	\$ 1,988,217	\$ 4,052	\$ 2,130,884	-	146,719
General Revenues:					
Property Taxes Levied for:					
General Purposes				5,271,361	-
Debt Service				2,455,875	-
Permanent Improvements				147,120	-
Income Taxes				3,390,954	-
Revenue in Lieu of Taxes				130,877	-
Unrestricted Grants and Entitlements				9,070,833	-
Investment Earnings				15,122	256
Other General Revenues				258,369	-
Total General Revenues				20,740,511	256
Change in Net Assets				2,422,682	146,975
Net Assets Beginning of Year, Restated				39,425,013	26,812
Net Assets End of Year				\$ 41,847,695	\$ 173,787

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012

	General	Debt Service	Ohio Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,362,600	\$ 1,946,878	\$ 857,123	\$ 1,169,856	\$ 5,336,457
Receivables:					
Property Taxes	5,899,237	1,622,678	-	-	7,521,915
Revenue in Lieu of Taxes	104,677	-	-	-	104,677
Income Taxes	1,315,555	-	-	-	1,315,555
Intergovernmental	85,954	-	54,036	306,121	446,111
Accounts	31,398	-	-	-	31,398
Interfund	125,791	-	-	-	125,791
Material and Supplies Inventory	-	-	-	9,139	9,139
Due from Component Unit	65,625	-	-	-	65,625
Total Assets	<u>\$ 8,990,837</u>	<u>\$ 3,569,556</u>	<u>\$ 911,159</u>	<u>\$ 1,485,116</u>	<u>\$ 14,956,668</u>
Liabilities:					
Accounts Payable	\$ 28,115	\$ -	\$ -	\$ 9,354	\$ 37,469
Contracts Payable	-	-	142,224	-	142,224
Accrued Wages and Benefits Payable	1,773,027	-	-	156,494	1,929,521
Intergovernmental Payable	449,699	-	-	34,669	484,368
Compensated Absences Payable	29,115	-	-	-	29,115
Interfund Payable	-	-	-	125,791	125,791
Retainage Payable	-	-	224,771	-	224,771
Deferred Revenue	3,633,862	484,201	54,036	3,832	4,175,931
Total Liabilities	<u>5,913,818</u>	<u>484,201</u>	<u>421,031</u>	<u>330,140</u>	<u>7,149,190</u>
Fund Balances:					
Restricted for:					
Debt Service	-	3,085,355	-	-	3,085,355
Capital Projects	-	-	490,128	79,293	569,421
Food Services	-	-	-	96,158	96,158
Classroom Facilities Maintenance	-	-	-	576,020	576,020
Student Activities	-	-	-	64,689	64,689
State and Federal Grants	-	-	-	68,539	68,539
Committed for:					
Termination Benefits	286,400	-	-	-	286,400
Assigned for:					
Public School Support	51,537	-	-	-	51,537
Contracts	11,453	-	-	-	11,453
Permanent Improvements	-	-	-	277,577	277,577
Future Appropriations	472,215	-	-	-	472,215
Unassigned:	2,255,414	-	-	(7,300)	2,248,114
Total Fund Balances	<u>3,077,019</u>	<u>3,085,355</u>	<u>490,128</u>	<u>1,154,976</u>	<u>7,807,478</u>
Total Liabilities and Fund Balances	<u>\$ 8,990,837</u>	<u>\$ 3,569,556</u>	<u>\$ 911,159</u>	<u>\$ 1,485,116</u>	<u>\$ 14,956,668</u>

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total Governmental Fund Balances \$ 7,807,478

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 54,747,308

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

Property Taxes Receivable	463,137
Income Taxes Receivable	187,540
Revenue in Lieu of Taxes Receivable	124,738
Intergovernmental Receivable	57,868
Accounts Receivable	18,188

Unamortized bond issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements. 244,823

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (54,635)

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

Bonds Payable	(18,329,864)
Accretion on Bonds	(1,750,447)
Loss on Refunding	324,587
Premium on Debt Issue	(1,092,113)
Capital Leases Payable	(113,394)
Compensated Absence Payable	(787,519)
	(21,748,750)

Net Assets of Governmental Activities \$ 41,847,695

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	Debt Service	Ohio Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 5,624,702	\$ 2,539,976	\$ -	\$ 147,120	\$ 8,311,798
Revenue in Lieu of Taxes	159,134	-	-	-	159,134
Income Taxes	3,384,833	-	-	-	3,384,833
Intergovernmental	8,631,234	439,599	230,040	2,113,806	11,414,679
Interest	10,068	-	4,065	989	15,122
Tuition and Fees	431,647	-	-	-	431,647
Extracurricular Activities	48,053	-	-	181,488	229,541
Customer Sales and Services	1,611,577	-	-	261,198	1,872,775
Donations and Contributions	19,738	-	-	17,454	37,192
All Other Revenue	186,795	10	3,868	-	190,673
Total Revenues	20,107,781	2,979,585	237,973	2,722,055	26,047,394
Expenditures:					
Instruction:					
Regular	8,916,198	-	-	57,880	8,974,078
Special	2,038,856	-	-	704,443	2,743,299
Vocational	292,870	-	-	-	292,870
Adult/Continuing	-	-	-	40,980	40,980
Other	1,154	-	-	-	1,154
Support services:					
Pupils	890,591	-	-	247,954	1,138,545
Instructional Staff	492,905	-	-	355,581	848,486
Board of Education	97,692	-	-	-	97,692
Administration	1,496,763	-	-	59,232	1,555,995
Fiscal	524,035	68,121	-	-	592,156
Business	28,554	-	-	-	28,554
Operation and Maintenance of Plant	1,988,195	-	-	15,300	2,003,495
Pupil Transportation	646,897	-	-	108,526	755,423
Central	318,835	-	-	19,177	338,012
Non-instructional Services:					
Food Service	-	-	-	663,269	663,269
Other	-	-	-	157,975	157,975
Extracurricular Activities	397,621	-	-	181,432	579,053
Capital Outlay	-	-	3,125,756	412	3,126,168
Debt service:					
Principal	-	2,020,000	-	78,941	2,098,941
Interest and Fiscal Charges	-	653,981	-	10,309	664,290
Bond Issuance Costs	-	37,790	-	-	37,790
Total Expenditures	18,131,166	2,779,892	3,125,756	2,701,411	26,738,225
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,976,615	199,693	(2,887,783)	20,644	(690,831)
Other Financing Sources (Uses):					
Sale of Capital Assets	500	-	-	-	500
Insurance Proceeds	9,943	-	-	-	9,943
Proceeds from the Issuance of Refunding Bonds	-	4,155,000	-	-	4,155,000
Premium on the Issuance of Refunding Bonds	-	159,634	-	-	159,634
Payment to Refunding Bond Escrow	-	(4,269,200)	-	-	(4,269,200)
Transfers In	773	-	-	-	773
Transfers Out	-	-	-	(773)	(773)
Total other financing sources (uses)	11,216	45,434	-	(773)	55,877
Net Change in Fund Balances	1,987,831	245,127	(2,887,783)	19,871	(634,954)
Fund Balance Beginning of Year, Restated	1,089,188	2,840,228	3,377,911	1,135,105	8,442,432
Fund Balance End of Year	\$ 3,077,019	\$ 3,085,355	\$ 490,128	\$ 1,154,976	\$ 7,807,478

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (634,954)

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

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

Capital Outlay	5,415,079
Depreciation	(2,112,464)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations).

Disposals	(1,176,373)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(437,442)
Income Taxes	6,121
Revenue in Lieu of Taxes	(8,196)
Intergovernmental	(556,379)
Customer Sales and Services	2,891

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, leases and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal Payments	2,098,941
Proceeds from the Issuance of Refunding Bonds	(4,155,000)
Premium on the Issuance of Refunding Bonds	(159,634)
Payment to Refunding Bond Escrow	4,269,200
Bond Issuance Costs	37,790
Amortization of Bond Issuance Costs	(28,558)
Amortization of Bond Premium	125,176
Amortization of Loss on Refunding	(162,294)
Accretion of Capital Appreciation Bonds	(347,803)
Accrued Interest	11,867

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

Decrease in Early Retirement Incentives	80,000
Decrease in Compensated Absences	154,714

Change in Net Assets of Governmental Activities \$ 2,422,682

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 5,117,450	\$ 5,447,609	\$ 3,300,490	\$ (2,147,119)
Revenue in Lieu of Taxes	231,927	159,134	159,134	-
Income Taxes	2,825,391	3,289,448	3,289,448	-
Intergovernmental	8,634,470	8,635,927	8,624,071	(11,856)
Interest	12,370	12,370	10,733	(1,637)
Tuition and Fees	442,800	442,873	428,092	(14,781)
Extracurricular Activities	22,275	34,619	34,367	(252)
Customer Sales and Services	1,057,949	1,672,195	1,348,787	(323,408)
All Other Revenue	96,610	152,186	157,499	5,313
Total Revenues	18,441,242	19,846,361	17,352,621	(2,493,740)
Expenditures:				
Instruction:				
Regular	8,805,267	9,401,906	9,043,031	358,875
Special	1,769,365	1,888,085	1,801,944	86,141
Vocational	315,495	336,877	324,056	12,821
Other	1,124	1,200	1,154	46
Support services:				
Pupils	837,408	893,647	852,312	41,335
Instructional Staff	545,439	582,224	557,487	24,737
Board of Education	135,161	143,200	121,833	21,367
Administration	1,404,169	1,498,437	1,428,646	69,791
Fiscal	552,940	590,415	578,209	12,206
Business	25,132	26,835	25,814	1,021
Operation and Maintenance of Plant	1,965,847	2,096,960	1,987,040	109,920
Pupil Transportation	641,660	685,094	658,261	26,833
Central	293,271	312,915	297,918	14,997
Extracurricular Activities	369,424	394,461	379,448	15,013
Total Expenditures	17,661,702	18,852,256	18,057,153	795,103
Excess of Revenues Over (Under) Expenditures	779,540	994,105	(704,532)	(1,698,637)
Other Financing Sources (Uses):				
Sale of Capital Assets	-	500	500	-
Insurance Proceeds	-	10,000	9,943	(57)
Transfers Out	(287,506)	(287,506)	(287,400)	106
Advances In	8,002	8,002	8,002	-
Total Other Financing Sources (Uses)	(279,504)	(269,004)	(268,955)	49
Net Change in Fund Balance	500,036	725,101	(973,487)	(1,698,588)
Fund Balances at Beginning of Year, Restated	2,014,069	2,014,069	2,014,069	-
Prior Year Encumbrances Appropriated	95,307	95,307	95,307	-
Fund Balances at End of Year	\$ 2,609,412	\$ 2,834,477	\$ 1,135,889	\$ (1,698,588)

See accompanying notes to the basic financial statements

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
AS OF JUNE 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 45,696	\$ 58,634
Accounts Receivable	-	45
Total Assets	45,696	58,679
Liabilities		
Due to Students	-	58,679
Total Liabilities	-	58,679
Net Assets		
Held in Trust for Scholarships	\$ 45,696	

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust
Additions:	
Gifts and Contributions	\$ 18,906
Total Additions	<u>18,906</u>
Deductions:	
Scholarships Awarded	<u>24,523</u>
Total Deductions	<u>24,523</u>
Chang in Net Assets	(5,617)
Net Assets at Beginning of Year	<u>51,313</u>
Net Assets at End of Year	<u><u>\$ 45,696</u></u>

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The London City School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and federal guidelines.

The District serves an area of approximately 54 square miles. The District is located in Madison County and encompasses all of the City of London and portions of Deer Creek, Somerford, and Union Townships. It is staffed by 181 non-certificated employees and 167 certificated employees who provide services to 2,096 students. The District currently operates two instructional buildings and one bus garage.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Non-public Schools – Within the District boundaries, there is one non-public school. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has one component unit, the London Academy.

Discretely Presented Component Unit

The component unit column in the entity-wide financial statements identifies the financial data of the District’s discretely presented component unit, London Academy. It is reported separately to emphasize that it is legally separate from the District.

London Academy

London Academy (the “Academy”) is a legally separate not-for-profit organization served by a self-appointed five member board. The Academy is reflected as a discretely presented component unit of the District. The Academy, under contractual agreement with the District, provides comprehensive educational programs of high quality, tied to State and national standards, which can be delivered to students in the ninth through twelfth grade populations entirely through distance learning technologies. It is operated in cooperation with the District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses, and others, including home schooled students. London Academy operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from London Academy, 60 South Walnut Street, London, Ohio 43140.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY (continued)

The information presented in Notes 2 through 22 relates to the primary government. Information related to the discretely presented component unit is presented in Note 23.

The District participates in seven organizations, four of which are defined as jointly governed organizations, one as a public entity shared risk pool, one as an insurance purchasing pool, and one as a related organization. These organizations are presented in Note 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Council
Tolles Career and Technical Center
Central Madison Joint Recreation District
London Schools Foundation

Public Entity Shared Risk Pool:

Schools of Ohio Risk Sharing Authority

Insurance Purchasing Pool:

Ohio SchoolComp Workers' Compensation Group Rating Plan

Related Organization:

London Public Library

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities of the District that are governmental and those that are considered business-type; however, the District has no business-type activities.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Net Assets presents the financial condition of the governmental activities of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the District fall within two categories: governmental and fiduciary.

Governmental Funds

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

General Fund - The General Fund is the operating fund of the District and 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 general laws of Ohio.

Debt Service Fund - The Debt Service Fund is used to account for and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

Ohio Classroom Facilities Fund - The Ohio Classroom Facilities Fund is used to account for restricted revenues and expenditures for the Ohio School Facilities shared-funding classroom facilities building project.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has seven fiduciary funds: two private purpose trust funds used to account for college scholarship programs for students; an agency fund used to account for student managed activity programs; two agency funds used to account for revenues and expenditures related to benefits for the District's employees; an agency fund used to account for scholarship money for students, and an agency fund to track all grant monies received and expended for London Academy.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, income tax, grants, accrued interest, tuition and fees, extracurricular activities, and customer sales and services.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2012, the District invested in a repurchase agreement which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$10,068, which includes \$6,211 from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are reported on the financial statements as cash equivalents.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable”. These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and purchased food held for resale.

Capital Assets

All capital assets of the District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 50 years
Buildings and Improvements	15 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years
Textbooks and Software	6 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds/Loss on Refunding

Bond issuance costs and bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges. On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds is not reported.

As permitted by State statute, the District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

The accounting loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

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.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2012, the following fund had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Title I	\$ 7,300

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance.
6. Transfers In and Transfers Out between the General Fund and the funds that were reclassified to the General Fund with the implementation of GASB 54 (GAAP basis). Since these funds are not required to be included in the General Fund Budgetary Statement, Transfers In and Transfers Out included (budget basis).

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$1,987,831
Adjustments:	
Revenue Accruals	(2,089,513)
Expenditure Accruals	(592,444)
Perspective Differences	(560,677)
Advances	8,002
Transfers	287,400
Encumbrances	(14,086)
Budget Basis	(\$973,487)

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

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

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

Interim monies held by the District 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 security 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;

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits: At June 30, 2012, the carrying amount of the District's deposits was \$3,604,329 and bank balance was \$3,117,264. The District's entire bank balance is covered by the Federal Depository Insurance Corporation. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: At June 30, 2012, the District had \$1,836,458 invested in a repurchase agreement with Huntington National Bank which will mature in less than one year.

Interest Rate Risk: The District's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The underlying securities of the repurchase agreement are Federal National Mortgage Association notes, which carry a credit rating of AA+ by Standard and Poor's.

Concentration of Credit Risk: The District's investment policy follows State statute, which limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility located in the school district. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 – PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property has been eliminated and the tax on the telephone and telecommunications property was eliminated in calendar year 2011. The tax was phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Madison County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance prior to June 30, 2012, was \$2,595,841 in the General Fund and \$1,138,477 in the Debt Service Fund. The District did not take any advances on these amounts prior to June 30, 2012.

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

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

	2011 First- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$286,339,550	97.06%	\$291,286,590	97.03%
Public Utility Personal	8,680,450	2.94%	8,930,560	2.97%
General Business Personal	0	0.00%	0	0.00%
Total Assessed Value	<u>\$295,020,000</u>	<u>100.00%</u>	<u>\$300,217,150</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$46.80		 \$46.80	

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 7 – INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The District passed an income tax renewal on May 4, 2010. The renewal levy will expire during fiscal year 2016. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 – RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, revenue in lieu of taxes, income taxes, intergovernmental grants and reimbursements, accounts, and interfund. 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 fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year with the exception of the Ohio School Facilities Commission Grant and delinquent property and income taxes. The Ohio School Facilities Commission Grant monies will be collected over the life of the construction of the new facilities. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
General Fund - Medicaid	\$7,163
General Fund - School Employee's Retirement System	78,791
Title I	104,214
Title I - School Improvement Subsidy	50,176
Title II-A	25,159
Safe and Drug Free Schools	0
Special Education, Part B-IDEA	102,560
IDEA Preschool Grant for the Handicapped	7,057
Race to the Top	13,657
Adult Basic Literacy Education	3,298
Ohio Schools Facilities Commission	54,036
Total Intergovernmental Receivables	\$446,111

Revenue in Lieu of Taxes

The District receives revenue in lieu of taxes from several compensation/donation agreements with the City of London. Pizzuti Equities, Staples, and VAT BST entered into an enterprise zone agreement with the City of London to allow these businesses a tax exemption on real and personal property for the purpose of building and improving facilities and purchasing new equipment. The Pizzuti Equities, Staples, and VAT BST agreements will expired during fiscal year 2012.

NOTE 9 – RISK MANAGEMENT

Property and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 17) for property, fleet, and liability insurance.

Settled claims have not exceeded this coverage in any of the past three fiscal years. There has been no significant change in coverage from the prior fiscal year.

Workers' Compensation

For fiscal year 2012, the District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate applies to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

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LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE10 – CAPITAL ASSETS

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

	Restated Balance at 6/30/11	Additions	Deletions	Transfers	Balance at 6/30/12
<u>Governmental Activities:</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 721,430	\$ -	\$ (56,300)	\$ -	\$ 665,130
Construction in Progress	16,831,346	3,535,080	-	(20,366,426)	-
Total Capital Assets, Not Being Depreciated	<u>17,552,776</u>	<u>3,535,080</u>	<u>(56,300)</u>	<u>(20,366,426)</u>	<u>665,130</u>
Capital Assets, Being Depreciated:					
Land Improvements	3,687,679	701,000	-	-	4,388,679
Buildings and Improvements	43,417,675	493,943	(879,047)	20,366,426	63,398,997
Furniture, Fixtures and Equipment	1,740,385	685,056	(765,271)	10,932	1,671,102
Vehicles	1,285,310	-	(12,000)	(10,932)	1,262,378
Textbooks and Software	856,372	-	(189,637)	-	666,735
Total Capital Assets, Being Depreciated	<u>50,987,421</u>	<u>1,879,999</u>	<u>(1,845,955)</u>	<u>20,366,426</u>	<u>71,387,891</u>
Less Accumulated Depreciation:					
Land Improvements	(2,162,205)	(203,721)	-	-	(2,365,926)
Building and Improvements	(11,194,647)	(1,695,138)	131,857	-	(12,757,928)
Furniture, Fixtures and Equipment	(965,523)	(93,300)	397,638	(2,050)	(663,235)
Vehicles	(740,384)	(120,305)	6,750	2,050	(851,889)
Textbooks and Software	(856,372)	-	189,637	-	(666,735)
Total Accumulated Depreciation	<u>(15,919,131)</u>	<u>(2,112,464)</u>	<u>725,882</u>	<u>-</u>	<u>(17,305,713)</u>
Total Capital Assets, Being Depreciated, Net	<u>35,068,290</u>	<u>(232,465)</u>	<u>(1,120,073)</u>	<u>20,366,426</u>	<u>54,082,178</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 52,621,066</u>	<u>\$ 3,302,615</u>	<u>\$ (1,176,373)</u>	<u>\$ -</u>	<u>\$ 54,747,308</u>

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,768,237
Special	1,099
Support Services:	
Pupils	195
Instructional Staff	3,861
Administration	2,095
Operation and Maintenance of Plant	49,401
Pupil Transportation	116,369
Central	3,350
Operation of Non-Instructional Services:	
Food Service Operations	31,609
Other	11,718
Extracurricular Activities	124,530
Total Depreciation Expense	\$ 2,112,464

NOTE 11 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.7%. The remaining 1.3% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$275,979, \$130,473, and \$486,455, respectively; 48 percent has been contributed for fiscal year 2012, with the remaining amount being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System of Ohio

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

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

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligation to STRS Ohio for the fiscal year ended June 30, 2012, 2011 and 2010 were \$1,164,436, \$1,344,215, and \$1,310,173, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The District's unpaid contribution for fiscal year 2012 has been recorded as a liability in the appropriate funds.

NOTE 12 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$16,298, \$8,396, and \$28,928, respectively, 48 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The District's unpaid contribution for fiscal year 2012 has been recorded as a liability in the appropriate funds.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2012, 2011, and 2010 were \$44,986, \$67,211, \$70,838, respectively, 48 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The District's unpaid contribution for fiscal year 2012 has been recorded as a liability in the appropriate funds.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at 1TUwww.strsoh.orgU1T.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$89,572, \$103,401, \$100,783, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The District's unpaid contribution for fiscal year 2012 has been recorded as a liability in the appropriate funds.

NOTE 13 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and 10 month administrators do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 350 days for all employees who earn sick leave.

Employees who have been employed by the District for a minimum of 10 consecutive years at the time of retirement are entitled to retirement severance pay. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit. In addition, beginning July 1, 1986 and each contract year thereafter, a bargaining unit member may accrue one additional day of severance pay for each contract year that the bargaining member used zero days of sick leave and personal leave.

Employee Benefits

The District offers health insurance to its employees through United Health Care. Vision insurance is offered through Vision Services Plan. Delta Dental is the insurance provider for dental care. The provider for life insurance is Unum.

Deferred Compensation

District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 – CAPITAL LEASE – LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for computer hardware and equipment and to refinance a capital lease entered into during fiscal year 2009. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. The equipment acquired by the leases did not meet the District's capitalization threshold.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2012.

NOTE 14 – CAPITAL LEASE – LESSEE DISCLOSURE (continued)

Fiscal Year Ending June 30,	Total Payments
2013	89,250
2014	31,842
Total	121,092
Less: Amount Representing Interest	(7,698)
Present Value of Net Minimum Lease Payments	\$113,394

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LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts Due Within One Year
<u>Governmental Activities:</u>					
School Facilities Construction and Improvement Bonds 2001					
Serial Bonds - 4.92%	\$ 5,845,000	\$ -	\$ 5,845,000	\$ -	\$ -
London Refunding Series 2005					
Serial Bonds - 3.00% - 4.35%	5,390,000	-	130,000	5,260,000	135,000
Term Bonds - 3.00% - 4.35%	750,000	-	-	750,000	-
Capital Appreciation Bonds - 10.33%	909,909	-	-	909,909	-
Accretion on Capital					
Appreciation Bonds	694,880	170,059	-	864,939	-
Premium on Refunding Series 2005	526,766	-	27,724	499,042	-
Loss on Refunding Series 2005	(178,556)	59,518	-	(119,038)	-
London Refunding Series 2006					
Serial Bonds - 3.50% - 4.00%	5,390,000	-	150,000	5,240,000	155,000
Term Bonds - 3.50% - 4.00%	1,070,000	-	-	1,070,000	-
Capital Appreciation Bonds - 10.15%	999,955	-	-	999,955	-
Accretion on Capital					
Appreciation Bonds	707,764	177,744	-	885,508	-
Premium on Refunding Series 2006	530,889	-	44,241	486,648	-
Loss on Refunding Series 2006	(199,125)	66,376	-	(132,749)	-
London Refunding Series 2011					
Term Bonds - 3.75%	-	4,155,000	55,000	4,100,000	2,020,000
Premium on Refunding Series 2011	-	159,634	53,211	106,423	-
Loss on Refunding Series 2011	-	36,400	109,200	(72,800)	-
Capital Leases	192,335	-	78,941	113,394	83,172
Compensated Absences	942,233	151,335	276,934	816,634	221,380
Total Governmental Activities					
Long-Term Obligations	<u>\$ 23,572,050</u>	<u>\$ 4,976,066</u>	<u>\$ 6,770,251</u>	<u>\$ 21,777,865</u>	<u>\$ 2,614,552</u>

School Facilities Construction and Improvement Bonds 2001 - On October 16, 2001, the District issued \$29,910,000 in general obligation bonds for the purpose of constructing new classroom facilities under the State of Ohio Classroom Facilities Assistance Program and for the repayment of bond anticipation notes issued for this project. The bonds were repaid from the Debt Service Fund. During fiscal year 2006, the District did two advance refundings for portions of the 2001 bonds in the amount of \$15,944,864. During the fiscal year, the District refunded the remaining portion of the 2001 bonds in the amount of \$4,160,000

London Refunding Series Bonds 2005 - On October 13, 2005, the District issued \$7,784,909 in General Obligation Bonds to advance refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. As of June 30, 2012, the refunded bonds were no longer outstanding.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

The serial bonds originally issued in the amount of \$6,125,000 have maturity dates of December 1, 2005, to December 1, 2019, and December 1, 2024, to December 1, 2029.

The term bonds originally issued in the amount of \$750,000, will mature on December 1, 2020, 2021, 2022, and 2023.

The capital appreciation bonds issued at \$909,909, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2016 in the amount of \$2,525,000. Accretion on the capital appreciation bonds for fiscal year 2012 was \$170,059.

The bonds will be retired from the Debt Service Fund.

London Refunding Series Bonds 2006 - On January 5, 2006, the District issued \$8,159,955 in General Obligation Bonds to advance refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. As of June 30, 2012, the refunded bonds were no longer outstanding.

The serial bonds issued at \$6,090,000 have maturity dates of December 1, 2006, to December 1, 2013, December 1, 2015 to December 1, 2016, and December 1, 2019 to December 1, 2022.

The term bonds issued at \$1,070,000 will mature on December 1, 2017 and 2018.

The capital appreciation bonds issued at \$999,955 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2015 in the amount of \$2,415,000. Accretion on the capital appreciation bonds for fiscal year 2012 was \$177,744.

The bonds will be retired from the Debt Service Fund.

London Refunding Series Bonds 2011 - On September 7, 2011, the District issued \$4,155,000 in General Obligation Bonds to currently refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. This refunding was undertaken to take advantage of lower interest rates. The total debt service payments were reduced by \$176,056 and the present value of this reduction resulted in an economic gain of \$172,372. As of June 30, 2012, the refunded bonds were no longer outstanding.

The term bonds issued at \$4,155,000 will mature on December 1, 2013.

The bonds will be retired from the Debt Service Fund.

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund.

The District's overall legal debt margin was \$10,636,558 with an unvoted debt margin of \$300,217 at June 30, 2012.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 2,310,000	\$ 612,319	\$ 2,922,319
2014	2,380,000	524,330	2,904,330
2015	2,030,463	1,006,536	3,036,999
2016	1,819,848	1,223,605	3,043,453
2017	2,565,000	421,278	2,986,278
2018-2022	2,885,000	1,567,713	4,452,713
2023-2027	3,560,000	925,585	4,485,585
2028-2030	2,530,000	167,307	2,697,307
Total	<u>\$ 20,080,311</u>	<u>\$ 6,448,673</u>	<u>\$ 26,528,984</u>

NOTE 16 – INTERFUND ACTIVITY

Interfund balances at June 30, 2012, consist of the following interfund receivable and payable:

		Receivable
		General Fund
Payable	Other	
	Governmental Funds	<u>\$125,791</u>

During fiscal year 2012, seven Other Governmental Funds had negative cash balances. The General Fund made advances totaling \$125,343 to eliminate the negative balances in these Other Governmental Funds. The remaining \$448 consists of an outstanding advance from fiscal year 2011 that was not repaid during fiscal year 2012.

Interfund transfers for the year ended June 30, 2012, consisted of a transfer of \$773 from an Other Governmental Fund to the General Fund. The transfer was made to move the residual balance of an old, unused fund to the General Fund.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, INSURANCE PURCHASING POOL, AND RELATED ORGANIZATION

Jointly Governed Organizations

Metropolitan Educational Council

The District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County and one representative from each county outside Franklin County. Each fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District paid \$1,000 to MEC during fiscal year 2012. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

Tolles Career and Technical Center

The Tolles Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Tolles Career and Technical Center, Treasurer, 7877 U.S. Route 42 South, Plain City, Ohio 43064.

Central Madison Joint Recreation District

The Central Madison Joint Recreation District (CMJRD) is a taxing entity whose purpose is to create recreational facilities in areas that include the City of London, the District, and Somerford and Deercreek Townships. The CMJRD operates under the direction of a four-member board consisting of one representative appointed by each participating entity. To obtain financial information, write to Kristen Gross, Treasurer, 271 Elm Street, London, Ohio 43140.

London Schools Foundation

The London Schools Foundation is a non-profit organization whose purpose is to raise funds for scholarships for the graduates of the District. The London Schools Foundation operates under the direction of a ten-member board consisting of representatives from area businesses, which are self appointed, and two from the District's Board of Education. The Superintendent of the District serves as an ex-officio member. To obtain financial information, contact Jim Hunt, Treasurer, London, Ohio 43140.

Public Entity Shared Risk Pool

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 62 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The District pays an annual premium to SORSA for this coverage. The premium for fiscal year 2012 equaled \$72,441 for property, fleet, and liability insurance. Reinsurance is purchased to cover claims exceeding the coverage amount and for all claims related to equipment breakdown coverage. In the event that the District would withdraw from SORSA, the District would be required to give advance written notice prior to the end of their three year contract. There is no penalty for early withdrawal and the District would not be held responsible for any outstanding claims.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, INSURANCE PURCHASING POOL, AND RELATED ORGANIZATION (continued)

Insurance Purchasing Pool

Ohio SchoolComp Workers' Compensation Group Rating Plan

The District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

Related Organization

London Public Library

The London Public Library, a related organization of the District, is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the London Public Library, Rebecca Stickel, Fiscal Officer, 20 E. First Street, London, Ohio 43410.

NOTE 18 – SET-ASIDES

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

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	352,979
Qualifying Disbursements	(314,000)
Prior Year Offset from Bond Proceeds	(38,979)
Set-aside Balance as of June 30, 2012	\$0
Required Set-aside Balances Carried Forward to FY 2012	\$0

Capital acquisition offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 19 – CONTINGENCIES

Grants and Student Attendance Data Review

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

The District received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The District is not party to any legal proceedings.

NOTE 20 – CONTRACTUAL COMMITMENTS

The following table provides a summary of the outstanding contractual commitments for various projects as of June 30, 2012:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
SHP Leading Design	\$ 1,321,826	\$ 1,247,395	\$ 74,431
Melink Corporation, Inc.	21,541	-	21,541
Gutridge Plumbing	179,794	174,954	4,840
Microman	124,716	102,951	21,765
Robertson Construction Services, Inc.	6,769,115	6,526,094	243,021
Beacon Electric	1,915,329	1,882,869	32,460
Industrial Communications and Sound	682,608	641,800	40,808
Stand and Associates	92,487	72,582	19,905
Quandel	1,171,895	1,151,422	20,473
General Temperature Control	49,922	10,344	39,578
Roger Storer and Son	533,105	497,260	35,845
Louis R. Polster Company	126,314	117,030	9,284
Point Guard	4,662	-	4,662
Lawhon and Associates, Inc.	28,522	12,890	15,632
Jackson Geothermal	548,232	505,590	42,642
Kohrs Lonnemann Hall Eng, Inc.	18,000	17,100	900
Simplex Grinnell	2,366	2,143	223
Continental Office Enviromental	148,155	134,114	14,041
White Tiger Graphics	216	-	216
Library Design Associates, Inc.	12,437	5,346	7,091
Reliable Construction Heaters	725	-	725
Cason Roofing	4,000	-	4,000
Martin Public Seating	83,092	79,480	3,612
Tom Sexton & Associates Inc.	9,535	8,941	594
Netech Corp	89,143	74,148	14,995
Gudenkauf Corp	47,297	38,547	8,750
Total	<u>\$ 13,985,034</u>	<u>\$ 13,303,000</u>	<u>\$ 682,034</u>

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 20 – CONTRACTUAL COMMITMENTS (continued)

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Encumbrances as of fiscal year end were as follows:

	Encumbrances
General Fund	\$ 14,086
Classroom Facilities Fund	682,035
Other Governmental Funds	66,656
Total	\$ 762,777

NOTE 21 –CORRECTION OF PRIOR YEAR ERRORS

Correction of Prior Year Errors

The District's fiscal year 2011 financial statements contained errors relating to the presentation of the following:

- *Accrued Wages and Benefits Payable* – accrued wages and benefits were reported in the improper fund as result of the reclassification of corresponding payroll and benefit expenditures from the District's federal funds to its General Fund.
- *Property Taxes* – property taxes receivable were overstated due to amounts provided by the County as available for advance at June 30, 2011 not being properly recorded net of all property tax advances received prior to June 30, 2011.
- *Capital Assets, Net.* – capital assets, net were understated as result of various additions, and the respective depreciation, from prior years not being properly reported. The errors were detected in fiscal year 2012 after the District performed an inventory and valuation of the District's capital assets. This process was previously performed by an outside firm.

The effect of these adjustments on net assets is as follows:

	Governmental Activities	General Fund	Debt Service Fund	Other Governmental Funds
Net Assets, June 30, 2011, as previously reported	39,733,583	\$ 2,267,809	\$ 3,276,731	\$ 894,433
Accrued Wages and Benefits	-	(240,672)	-	240,672
Property Taxes	(1,374,452)	(937,949)	(436,503)	-
Capital Assets, Net	1,065,882			
Net Assets, June 30, 2011, as restated	\$ 39,425,013	\$ 1,089,188	\$ 2,840,228	\$ 1,135,105

Some funds reclassified to the General Fund, due to the implementation of GASB 54, were included in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund. This caused the fund balance to be understated at June 30, 2011.

Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance. This restatement had the following effect on net assets at June 30, 2011, as previously reported:

	General Fund
Fund Balance, June 30, 2011, as previously reported	\$ 2,011,867
Change in Fund Structure	2,202
Fund Balance, June 30, 2011, as restated	\$ 2,014,069

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 22 – RELATED PARTY TRANSACTION

The Academy is a component unit of the District. The Academy and the Sponsor entered into a 5-year sponsorship agreement on June 25, 2007 whereby terms of the sponsorship were established.

The District is reimbursed by the Academy monthly for all costs associated with operating the Academy. Such cost areas include, but are not limited to: personnel (all teaching and administrative personnel are employees of the District); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, and legal and financial management services. The District is responsible for maintenance of the Academy's facility. Per the agreement, the Academy pays the District 80 percent of General Fund revenues received and unencumbered as of June 30th of each fiscal year, as mutually agreed upon.

NOTE 23 – DISCRETELY PRESENTED COMPONENT UNIT

During fiscal year 2012, the Academy paid the District \$1,564,764 for personnel (all teaching and administrative personnel are employees of London City School District); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, legal and financial management services, and sponsorship services. Additionally, at June 30, 2012, the Academy owes the District \$65,625 for services rendered as of June 30, 2012.

London Academy

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of London Academy:

The financial statements of the London Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

Basis Of Presentation

During the fiscal year, the Academy segregates transactions related to certain Academy functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the Academy uses a single enterprise fund presentation.

Measurement Focus and Basis of Accounting

The London Academy uses the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 23 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

Cash and Cash Equivalents

The Academy's Treasurer accounts for all monies received by the Academy. The Academy maintains one interest bearing depository accounts and all funds of the Academy are maintained in these accounts. These accounts are presented on the Statement of Net Assets as Cash and Cash Equivalents.

Intergovernmental Receivable

Intergovernmental Receivable represents intergovernmental revenue to be received from various State and federal grants.

Capital Assets

A summary of London Academy's capital assets at June 30, 2012, follows:

Furniture, Fixtures and Equipment	\$ 83,267
Less: Accumulated Depreciation	<u>(81,722)</u>
Capital Assets, Net	<u><u>\$ 1,545</u></u>

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 96,956	\$ -	\$ 96,956	\$ -
National School Lunch Program	10.555	376,130	70,822	376,130	70,822
Total Nutrition Cluster		<u>473,086</u>	<u>70,822</u>	<u>473,086</u>	<u>70,822</u>
Total U.S. Department of Agriculture		<u>473,086</u>	<u>70,822</u>	<u>473,086</u>	<u>70,822</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Adult Education Basic Grants to States	84.002	63,309	-	61,357	-
Title I Grants to Local Educational Agencies	84.010	668,992	-	723,878	-
Special Education Cluster					
Special Education Grants to States	84.027	467,101	-	577,116	-
Special Education Preschool Grants	84.173	2,899	-	3,665	-
Total Special Education Cluster		<u>470,000</u>	<u>-</u>	<u>580,781</u>	<u>-</u>
Education Technology State Grants	84.318	4,453	-	4,724	-
Improving Teacher Quality State Grants	84.367	92,484	-	104,602	-
Safe and Drug-Free Schools and Communities	84.186	-	-	110	-
Education Jobs Fund	84.410	57,741	-	69,581	-
ARRA- Race-to-the-Top Incentive Grants	84.395	40,991	-	33,499	-
Total U.S. Department of Education		<u>1,397,970</u>	<u>-</u>	<u>1,578,532</u>	<u>-</u>
Total		<u>\$ 1,871,056</u>	<u>\$ 70,822</u>	<u>\$ 2,051,618</u>	<u>\$ 70,822</u>

The accompanying notes are an integral part of this schedule.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. This schedule includes federal receipts and expenditures of the District but does not include the federal receipts and disbursements of the discretely presented component unit. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program(s) that benefitted from the use of those donated food commodities.

NOTE E – TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2012, the Ohio Department of Education (ODE) authorized the follow transfers:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.002	Adult Education Basic Grant	2011	\$ 5,168	
84.002	Adult Education Basic Grant	2012		\$5,168
84.010	Title I Grants to Local Educational Agencies	2011	73,268	
84.010	Title I Grants to Local Educational Agencies	2012		73,268
84.027	Special Education Grants to States	2011	50,973	
84.027	Special Education Grants to States	2012		50,973
84.318	Special Education Technology Grants	2011	271	
84.318	Special Education Technology Grants	2012		271
84.367	Improving Teacher Quality State Grants	2011	24,745	
84.367	Improving Teacher Quality State Grants	2012		24,745
84.395	Race to the Top Grant	2011	1,215	
84.395	Race to the Top Grant	2012		1,215
84.410	Education Jobs Grant	2011	11,840	
84.410	Education Jobs Grant	2012		11,840
			\$ 167,480	\$ 167,480

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

London City School District
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2012-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The District's response to the finding we identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
February 13, 2013

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

London City School District
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Education:

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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

The District's basic financial statements include the operations of London Academy, which received \$143,337 in federal awards, which is not included in the District's Schedule of Federal Awards Receipts and Expenditures for the year ended June 30, 2012. Our audit of Federal awards, described below, did not include the operations of London Academy because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended June 30, 2012; thus it was not subject to OMB Circular A-133 audit requirements.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the London City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, described in the accompanying schedule of findings as items 2012-02 and 2012-03. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's responses to the findings we identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Kennedy Cottrell Richards LLC
February 13, 2013

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULE OF FINDINGS

JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA: 10.553, 10.555 Title I Cluster CFDA: 84.010 Special Education Cluster CFDA: 84.027, 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULE OF FINDINGS

JUNE 30, 2012

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

Finding Number	2012-01
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Significant Deficiency: Food Service Receipts

We identified a significant deficiency pertaining to financial reporting of Food Service Receipts. The finding and official's response are fully described in finding 2012-03.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA Title and Number	Nutrition Cluster - CFDA: 10.553, 10.555 Title I Cluster - CFDA: 84.010
Grant Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2012-02

Significant Deficiency: Eligibility Determination and Verification

7 CFR 245.6 provides that each child receiving free and reduced lunches must annually submit an application to the School. The School must then certify a child's family income and family size and place him/her within income eligibility standards issued by the Office of Food Nutrition Services. The application must be approved and maintained on file.

7 CFR 245 6a requires that by December 15th of each school year a participating school (school food authority-SFA) must verify the information presented on a sample of the applications that it has approved for free and reduced price meals. The verification sample size is based on the number of approved applications on file on October 31st. SFAs may select the sample by either of two methods specified in the section. Further, the SFA must follow-up on children determined ineligible for free and reduced price meals and change the category of such children determined ineligible.

7 CFR 245.6a, c states that the school verifying applications shall maintain on file for review a description of the verification to be accomplished. The description shall include:

- (1) A summary of the verification efforts including the techniques to be used;
- (2) the total number of applications on file by October 31;
- (3) the percentage or number of applications verified;
- (4) all verified applications must be readily retrievable by the school and include all documents submitted by the household in an effort to confirm eligibility, reproductions of those

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULE OF FINDINGS

JUNE 30, 2012

- documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission;
- (5) documentation of any changes in eligibility and the reasons for the changes; and
 - (6) all relevant correspondences between the household selected for and the school food authority/school.

Furthermore, the Ohio Department of Education's Verification Manual states;

- Prior to household notification, someone other than the person who made the initial application determination must check the accuracy (Confirmation Review) of all of the household applications selected for verification. This person is known as the "Confirming Official".

At the beginning of each school year, each student that wishes to participate in the free and reduced lunch program, which does not have his/her eligibility determined through the direct certification process, is required to submit a free/reduced application. The School's Food Service Coordinator, reviews the application, determines the level of eligibility (free, reduced, or does not qualify), and then approves the application. The Food Service Coordinator is also responsible for performing the verification of the application. The school does not perform a secondary review of either procedure.

The School's current policies and procedures are insufficient to ensure that proper eligibility determinations are being made and that the verification process is taking place properly. This was evidenced by:

- 1) The proper benefit being improperly determined for one of the 60 applications we tested; and
- 2) There was no evidence of a secondary review by the School of the eligibility determinations or the verification process.

For the Title I program, the School elected to measure its poverty level and identify eligible school attendance areas by the number of children eligible for free and reduced priced meals under the Richard B. Russell National School Lunch Act. Thus, this finding also impacts the School's eligibility determination for the Title I program.

We recommend the District establish policies and procedures regarding eligibility determination and verification. Those policies and procedures at a minimum should incorporate the requirements of the above noted CFR sections.

Officials Response and Corrective Actions

The District will work with the Food Service Supervisor to develop enhanced procedures. Procedures will include a secondary review of the application and approval of the eligibility level, after the approval by the Food Service Supervisor. In addition, a secondary review will take place following the verification of a sampling of applications by the Food Service Supervisor. These will take effect immediately and all applications received to date will be reviewed for accuracy and proper verification.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULE OF FINDINGS

JUNE 30, 2012

CFDA Title and Number	Nutrition Cluster - CFDA: 10.553, 10.555
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2012-03

Significant Deficiency: Program Revenue

It is management's responsibility to ensure that an adequate internal control structure is placed in operation to: prevent or detect misstatements in the accounting records; safeguard the entity's assets against loss; help ensure compliance with laws and regulations; and, provide a basis for measuring whether operations are achieving management's objectives. An effective internal control structure requires that cash reconciliation procedures be performed and documented.

The District uses a point-of-sale system to track its daily cash receipts from serving meals. At the end of each day, the head cashier at each school is supposed to manually balance all of the cash registers to the point-of-sale system and then generate a Cash Reconciliation Report from the system to show total cash collected versus total estimated point of sale collections.

We noted that the Cash Reconciliation report was being generated; however, there was no indication that the reconciliation process was being performed by the Head Cashier. We also noted that there was no indication that a review of the daily reports was being performed by the Food Service Supervisor.

We recommend the District document their control procedures performed over the daily reconciliation process and implement a review by the Food Service Coordinator. One way this could be done is by using the signature lines on the cash reconciliation report.

Officials Response and Corrective Actions

The District has met with the Food Service Supervisor and discussed enhanced procedures. These procedures will include balancing by each building Head Cashier, with a signature and date indicated on the POS Cash Reconciliation Report. The Food Service Supervisor shall perform a secondary review and balance all receipts to the Cash Reconciliation Report and prepare the deposit ticket for Huntington Bank. A copy of all POS Cash Reconciliation Reports and copy of deposit ticket shall be submitted to the Treasurer's office prior to the end of the work day.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Significant Deficiency – Financial Reporting	Yes	Corrected.
2011-02	Significant Deficiency- Food Service Receipts	No	Repeated as Finding 2012-01.
2011-03	Material Weakness/ Material Noncompliance – Reporting	Yes	Corrected.
2011-04	Material Weakness/ Material Noncompliance- Matching, Level of Effort, Earmarking	Yes	Corrected.
2011-05	Significant Deficiency/Noncompliance – Allowable Costs/Cost Principles	Yes	Corrected.
2011-06	Significant Deficiency/ Noncompliance- Eligibility- Allocation of Funds to Schools	Yes	Corrected.
2011-07	Significant Deficiency/ Noncompliance- Eligibility- Determination and Verification	No	Partially Corrected. Repeated as Finding 2012-02.
2011-08	Significant Deficiency- Program Revenue	No	Repeated as Finding 2012-03.

Independent Accountants' Report on Applying Agreed-Upon Procedures

London City School District
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether London City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the District amended its anti-harassment policy at its meeting on June 26, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC
February 13, 2013



Dave Yost • Auditor of State

LONDON CITY SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 2, 2013