



**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

SINGLE AUDIT

FOR FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the London City School District, Madison County, Ohio (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the London City School District, Madison County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole

JIM PETRO
Auditor of State

December 21, 1999

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals
	General	Special	Debt	Fund Type	Fund Types	General	General	1999
		Revenue	Service	Enterprise	Trust and Agency	Fixed Assets	Long Term Debt	(Memorandum)
Assets and Other Debits:								
Equity in Pooled Cash and Investments	\$ 729,408	298,144	148,021	43,497	136,625	0	0	\$ 1,355,695
Restricted Cash	142,772	0	0	0	0	0	0	142,772
Taxes Receivable	3,615,687	0	159,068	0	0	0	0	3,774,755
Interfund Receivables	51,565	0	0	0	0	0	0	51,565
Intergovernmental Receivables	666	8,546	0	19,416	0	0	0	28,628
Accounts Receivable	7,710	95	0	0	753	0	0	8,558
Supplies Inventory	0	0	0	236	0	0	0	236
Inventory for Resale	0	0	0	5,060	0	0	0	5,060
Net Property, Plant & Equipment	0	0	0	48,291	0	13,610,020	0	13,658,311
Amount Available in Debt Service Fund	0	0	0	0	0	0	152,113	152,113
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	1,623,588	1,623,588
Total Assets and Other Debits	\$ 4,547,808	306,785	307,089	116,500	137,378	13,610,020	1,775,701	\$ 20,801,281

(Continued)

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS, Continued
JUNE 30, 1999

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long Term	1999
								(Memorandum Only)
Liabilities:								
Interfund Payables	\$ 0	51,565	0	0	0	0	0	\$ 51,565
Intergovernmental Payable	178,577	10,888	0	17,737	49,208	0	106,369	362,779
Accounts Payable	39,343	14,665	0	1,045	14,158	0	0	69,211
Accrued Salaries and Benefits	707,278	49,024	0	22,141	0	0	0	778,443
Deferred Revenue	3,533,237	0	154,976	3,414	0	0	0	3,691,627
Due to Others	0	0	0	0	43,309	0	0	43,309
Notes Payable	0	0	0	0	0	0	550,000	550,000
General Obligation Bonds Payable	0	0	0	0	0	0	230,000	230,000
Leases Payable	0	0	0	0	0	0	46,952	46,952
Compensated Absences Payable	83,648	0	0	14,506	0	0	842,380	940,534
Total Liabilities	4,542,083	126,142	154,976	58,843	106,675	0	1,775,701	6,764,420
Fund Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	13,610,020	0	13,610,020
Retained Earnings	0	0	0	57,657	0	0	0	57,657
Fund Balances:								
Reserved for Encumbrances	46,845	150,132	0	0	0	0	0	196,977
Reserved for Contributions	0	0	0	0	16,368	0	0	16,368
Reserved for Budget Stabilization	142,772	0	0	0	0	0	0	142,772
Reserved for Future Appropriation	82,450	0	4,092	0	0	0	0	86,542
Unreserved Fund Balance	(266,342)	30,511	148,021	0	14,335	0	0	(73,475)
Total Fund Equity	5,725	180,643	152,113	0	30,703	0	0	369,184
Total Fund Balances/Retained Earnings and Other Credits	5,725	180,643	152,113	57,657	30,703	13,610,020	0	14,036,861
Total Liabilities, Fund Equity, and Other Credits	\$ 4,547,808	306,785	307,089	116,500	137,378	13,610,020	1,775,701	\$ 20,801,281

See Accompanying Notes to the General Purpose Financial Statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum (Only))
	General	Special Revenue	Debt Service	Capital Project	Fund Type Expendable Trust	
REVENUES:						
Taxes	\$ 3,055,087	0	108,683	0	0	\$ 3,163,770
Tuition	28,133	0	0	0	0	28,133
Earnings on Investments	108,535	0	0	0	0	108,535
Extracurricular Activities	0	121,144	0	0	958	122,102
Classroom Materials and Fees	462	0	0	0	0	462
Miscellaneous	65,659	90,092	0	0	4,314	160,065
Revenue from State Sources						
Unrestricted Grants-in-Aid	5,641,294	0	13,012	0	0	5,654,306
Restricted Grants-in-Aid	80,482	373,305	0	0	0	453,787
Revenue from Federal Sources						
Unrestricted Grants -in-Aid	6,672	0	0	0	0	6,672
Restricted Grants-in-Aid	0	476,297	0	0	0	476,297
Total Revenue	8,986,324	1,060,838	121,695	0	5,272	10,174,129
EXPENDITURES:						
Instruction						
Regular	5,360,898	149,229	0	1,728	0	5,511,855
Special	1,034,792	469,457	0	0	0	1,504,249
Vocational	183,100	15,286	0	0	0	198,386
Adult/Continuing Instruction	232	34,875	0	0	0	35,107
Supporting Services						
Pupils	718,561	12,712	0	0	0	731,273
Instructional Staff	193,998	44,649	0	0	0	238,647
Board of Education	36,659	0	0	0	0	36,659
Administration	1,025,661	1,429	0	0	0	1,027,090
Fiscal Services	292,672	7,452	2,602	0	0	302,726
Business	11,313	0	0	0	0	11,313
Operation & Maintenance-Plant	1,092,083	25,555	0	0	0	1,117,638
Pupil Transportation	556,376	0	0	0	0	556,376
Central	58,269	16,283	0	0	0	74,552
Operation of Non-Instructional Services						
Food Serve/ Community Services	2,591	44,869	0	0	0	47,460
Extracurricular Activities						
Academic & Subject Oriented	24,033	23,086	0	0	0	47,119
Sports Oriented	185,540	102,546	0	0	0	288,086
Co-Curricular Activities	80,672	29,995	0	0	10,037	120,704
Capital Outlay						
Other Facility Acquisition & Construction	13,642	0	0	0	0	13,642
Debt Service						
Repayment of Debt	0	0	395,387	0	0	395,387
Total Expenditures	10,871,092	977,423	397,989	1,728	10,037	12,258,269
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(1,884,768)	83,415	(276,294)	(1,728)	(4,765)	(2,084,140)
Other Financing Sources and Uses:						
Other Financing Sources						
Transfers-In	0	0	139,310	0	0	139,310
Other Revenue	47,574	0	0	0	0	47,574
Other Financing Uses						
Transfer-Out	(155,107)	0	0	0	0	(155,107)
Other Expenses	0	(1,798)	0	0	0	(1,798)
Net Other Financing Sources and Uses	(107,533)	(1,798)	139,310	0	0	29,979
Excess (Deficiency) of Revenues and Other Sources Over Expenditures						
Disbursements and Other Uses	(1,992,301)	81,617	(136,984)	(1,728)	(4,765)	(2,054,161)
Beginning Fund Balance	1,998,026	99,026	289,097	1,728	18,138	2,406,015
Ending Fund Balance	\$ 5,725	180,643	152,113	0	13,373	\$ 351,854

See Accompanying Notes to the General Purpose Financial Statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 4,837,965	4,837,965	0	0	0	\$ 0
Tuition	27,816	27,466	(350)	0	0	0
Earnings on Investment	100,521	102,327	1,806	0	0	0
Extracurricular Activities	0	0	0	109,572	109,835	263
Classroom Materials and Fees	405	462	57	0	0	0
Miscellaneous	63,480	66,561	3,081	90,734	90,735	1
State Unrestricted Grants-in-Aid	5,641,294	5,641,294	0	0	0	0
State Restricted Grants-in-Aid	80,660	80,482	(178)	380,397	380,397	0
Federal Unrestricted Grants-in-Aid	8,181	8,181	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	523,762	523,762	0
Total Revenue	10,760,322	10,764,738	4,416	1,104,465	1,104,729	264
Expenditures:						
Regular Instruction	4,909,015	5,312,384	(403,369)	302,498	295,553	6,945
Special Instruction	961,000	1,032,859	(71,859)	493,778	467,121	26,657
Vocational Instruction	171,593	181,298	(9,705)	16,585	16,585	0
Adult/Continuing Instruction	918	232	686	44,616	35,481	9,135
Other Instruction	686,576	731,779	(45,203)	12,826	12,826	0
Support Services-Pupils	173,212	180,759	(7,547)	68,130	42,072	26,058
Support Services-Instructional Staff	39,650	36,914	2,736	0	0	0
Support Services-Board of Education	932,467	997,975	(65,508)	1,469	1,469	0
Support Services-Administration	288,597	296,507	(7,910)	7,452	7,452	0
Fiscal Services	18,998	11,378	7,620	0	0	0
Support Services-Business	1,050,401	1,095,863	(45,462)	7,135	25,555	(18,420)
Operation & Maintenance-Plant	577,830	621,689	(43,859)	23,529	18,590	4,939
Support Services-Transportation	56,408	58,926	(2,518)	16,698	16,172	526
Support Services-Central	2,248	2,448	(200)	0	0	0
Community Services	131	143	(12)	48,328	44,214	4,114
Academic & Subject Oriented	23,870	24,033	(163)	11,611	11,611	0
Sports Oriented	169,621	182,733	(13,112)	44,711	102,978	(58,267)
Co-Curricular Activities	73,136	79,647	(6,511)	45,125	32,196	12,929
Building Acquisition & Construction	12,924	13,642	(718)	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	10,148,595	10,861,209	(712,614)	1,144,491	1,129,875	14,616
Excess of Revenue Over (Under) Expenditures	611,727	(96,471)	(708,198)	(40,026)	(25,146)	14,880
Other Financing Sources (Uses):						
Sale & Loss of Assets	3,525	3,525	0	0	0	0
Transfers-In	0	0	0	64	64	0
Advances-In	49,720	59,769	10,049	68,003	68,003	0
Transfers-Out	(172,517)	(155,107)	17,410	0	0	0
Advances-Out	(55,917)	(51,566)	4,351	(15,720)	(15,720)	0
Refund of Prior Years /Receipts	0	0	0	(1,798)	(1,798)	0
Total Other Sources (Uses)	(175,189)	(143,379)	31,810	50,549	50,549	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	436,538	(239,850)	(676,388)	10,523	25,403	14,880
Beginning Fund Balance	932,552	932,552	--	110,707	110,707	--
Prior Year Carry Over Encumbrances	94,876	94,876	--	6,892	6,892	--
Ending Fund Balance	\$ 1,463,966	787,578	(676,388)	128,122	143,002	\$ 14,880

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES- Continued
YEAR ENDED JUNE 30, 1999

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 104,591	104,591	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	13,012	13,012	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	117,603	117,603	0	0	0	0
Expenditures:						
Regular Instruction	0	0	0	1,728	1,728	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	2,602	(2,602)	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Building Acquisition & Construction	0	0	0	0	0	0
Repayment of Debt	0	395,387	(395,387)	0	0	0
Total Expenditures	0	397,989	(397,989)	1,728	1,728	0
Excess of Revenue Over (Under) Expenditures	117,603	(280,386)	(397,989)	(1,728)	(1,728)	0
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	139,310	139,310	0	0	0	0
Advances-In	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Years /Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	139,310	139,310	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	256,913	(141,076)	(397,989)	(1,728)	(1,728)	0
Beginning Fund Balance	289,097	289,097	--	1,728	1,728	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$ 546,010	148,021	(397,989)	0	0	\$ 0

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
YEAR ENDED JUNE 30, 1999

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	4,942,556	4,942,556	\$ 0
Tuition	0	0	0	27,816	27,466	(350)
Earnings on Investment	0	0	0	100,521	102,327	1,806
Extracurricular Activities	958	958	0	110,530	110,793	263
Classroom Materials and Fees	0	0	0	405	462	57
Miscellaneous	4,314	4,314	0	158,528	161,610	3,082
State Unrestricted Grants-in-Aid	0	0	0	5,654,306	5,654,306	0
State Restricted Grants-in-Aid	0	0	0	461,057	460,879	(178)
Federal Unrestricted Grants-in-Aid	0	0	0	8,181	8,181	0
Federal Restricted Grants-in-Aid	0	0	0	523,762	523,762	0
Total Revenue	5,272	5,272	0	11,987,662	11,992,342	4,680
Expenditures:						
Regular Instruction	0	0	0	5,213,241	5,609,665	(396,424)
Special Instruction	0	0	0	1,454,778	1,499,980	(45,202)
Vocational Instruction	0	0	0	188,178	197,883	(9,705)
Adult/Continuing Instruction	0	0	0	45,534	35,713	9,821
Other Instruction	0	0	0	699,402	744,605	(45,203)
Support Services-Pupils	0	0	0	241,342	222,831	18,511
Support Services-Instructional Staff	0	0	0	39,650	36,914	2,736
Support Services-Board of Education	0	0	0	933,936	999,444	(65,508)
Support Services-Administration	0	0	0	296,049	303,959	(7,910)
Fiscal Services	0	0	0	18,998	13,980	5,018
Support Services-Business	0	0	0	1,057,536	1,121,418	(63,882)
Operation & Maintenance-Plant	0	0	0	601,359	640,279	(38,920)
Support Services-Transportation	0	0	0	73,106	75,098	(1,992)
Support Services-Central	0	0	0	2,248	2,448	(200)
Community Services	0	0	0	48,459	44,357	4,102
Academic & Subject Oriented	0	0	0	35,481	35,644	(163)
Sports Oriented	0	0	0	214,332	285,711	(71,379)
Co-Curricular Activities	19,004	10,395	8,609	137,265	122,238	15,027
Building Acquisition & Construction	0	0	0	12,924	13,642	(718)
Repayment of Debt	0	0	0	0	395,387	(395,387)
Total Expenditures	19,004	10,395	8,609	11,313,818	12,401,196	(1,087,378)
Excess of Revenue Over (Under) Expenditures	(13,732)	(5,123)	8,609	673,844	(408,854)	(1,082,698)
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	3,525	3,525	0
Transfers-In	0	0	0	139,374	139,374	0
Advances-In	0	0	0	117,723	127,772	10,049
Transfers-Out	0	0	0	(172,517)	(155,107)	17,410
Advances-Out	0	0	0	(71,637)	(67,286)	4,351
Refund of Prior Years /Receipts	0	0	0	(1,798)	(1,798)	0
Total Other Sources (Uses)	0	0	0	14,670	46,480	31,810
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(13,732)	(5,123)	8,609	688,514	(362,374)	(1,050,888)
Beginning Fund Balance	18,263	18,263	--	1,352,347	1,352,347	--
Prior Year Carry Over Encumbrances	234	234	--	102,002	102,002	--
Ending Fund Balance	\$ 4,765	\$ 13,374	\$ 8,609	\$ 2,142,863	\$ 1,091,975	\$ (1,050,888)

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
 YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise Funds</u>	<u>Non- Expendable Trust Funds</u>	<u>Totals (Memorandum) (Only)</u>
Operating Revenues:			
Food Service	\$ 264,709	0	\$ 264,709
Extracurricular Activities	0	0	0
Classroom Materials & Fees	58,812	0	58,812
Earnings On Investments	0	1,468	1,468
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Revenue	323,521	1,468	324,989
Operating Expenses:			
Personal Services - Salary	180,705	0	180,705
Employee Benefits	66,684	0	66,684
Purchased Services	23,597	819	24,416
Supplies and Materials	266,305	0	266,305
Other Expenses	0	0	0
Depreciation	<u>7,390</u>	<u>0</u>	<u>7,390</u>
Total Operating Expenses	<u>544,681</u>	<u>819</u>	<u>545,500</u>
Operating Income (Loss)	(221,160)	649	(220,511)
Non-Operating Revenues:			
Earnings On Investments	922	0	922
State Unrestricted Grants-In-Aid	9,823	0	9,823
Federal Unrestricted Grants-In-Aid	<u>166,842</u>	<u>0</u>	<u>166,842</u>
Total Non-Operating Revenues	177,587	0	177,587
Net Income (Loss) Before Operating Transfers	(43,573)	649	(42,924)
Transfers-In	<u>6,065</u>	<u>0</u>	<u>6,065</u>
Net Income (Loss)	(37,508)	649	(36,859)
Beginning Retained Earnings/Fund Balance	<u>95,165</u>	<u>16,683</u>	<u>111,848</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ 57,657</u>	<u>17,332</u>	<u>\$ 74,989</u>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF CHANGES IN CASH FLOWS
 PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
 YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type		Totals (Memorandum Only)
	Enterprise Funds	Non-Expendable Trust Funds		
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (221,160)	649	\$	(220,511)
Adjustment to Reconcile Operating Gain (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	7,390	0		7,390
Net (Increase) Decrease in Assets:				
Intergovernmental Receivable	(19,416)	0		(19,416)
Accounts Receivable	282	(649)		(367)
Inventory	46	0		46
Net Increases (Decreases) in Liabilities:				
Accounts Payable	710	0		710
Intergovernmental Payable	5,612	0		5,612
Deferred Revenue	(296)	0		(296)
Accrued Wages and Benefits	1,068	0		1,068
Compensated Absences	13,355	0		13,355
Total Adjustments	8,751	(649)		8,102
Net Cash Used in Operating Activities	(212,409)	0		(212,409)
Cash Flows from Noncapital Activities:				
Investment Earnings	922	0		922
Grants from State Sources	9,823	0		9,823
Grants from Federal Sources	136,360	0		136,360
Federal Commodities	30,482	0		30,482
Transfers In	6,065	0		6,065
Net Cash Provided by Noncapital Financing Sources	183,652	0		183,652
Cash Flows from Capital Financing Activities:				
Acquisition of Capital Assets	(2,398)	0		(2,398)
Net Cash Provided by Capital Financing Sources	(2,398)	0		(2,398)
Net Decrease in Cash & Cash Equivalents	(31,155)	0		(31,155)
Cash and Cash Equivalents at Beginning of Year	74,652	16,683		91,335
Cash and Cash Equivalents at End of Year	\$ 43,497	16,683	\$	60,180

See Accompanying Notes to the General Purpose Financial Statements.

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 1998 was 2,191. The District employed 153 certified employees and 76 non-certificated employees. The District cooperates for services with the Madison County Educational Service Center, a separate entity, for curricular services.

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

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

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

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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

B. Fund Accounting

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

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

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

Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Proprietary Fund Types:

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

Enterprise Funds

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

Fiduciary Fund Types:

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

Expendable Trust Funds

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

Nonexpendable Trust Funds

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

Agency Funds

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

Account Groups:

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

General Fixed Assets Account Group

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Account Groups: (Continued)

General Long-Term Debt Account Group

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

C. Measurement Focus/Basis of Accounting

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

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 1999 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting

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

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in July. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting (continued)

Encumbrances

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 1999, investments were limited to STAR Ohio, repurchase agreements, federal agency securities, and certificates of deposit.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

For the District, all investment earnings accrue to the General Fund, Enterprise Fund and Trust Funds as authorized by board resolution. Interest income earned in fiscal year 1999 totaled \$110,925.

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

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available". "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. The District had no inventory for governmental funds at June 30, 1999. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

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

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

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

J. Intergovernmental Revenues

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Intergovernmental Revenues (continued)

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

Entitlements:

General Fund

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

Capital Projects Funds

- School Net Grant
- School Net Plus Grant

Special Revenue Funds

- Educational Management Information Systems
- Auxiliary Services

Non-Reimbursable Grants:

Special Revenue Funds

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

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- Tutor Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 57% of the District's operating revenue during the 1999 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables". At June 30, 1999, the District had \$51,565 in "Interfund Receivables/Payables".

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

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

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

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

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

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

M. Interfund Transactions

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

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

N. Restricted Assets

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Reserves

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

P. Estimates

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

Q. Memorandum Only - Total Columns

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

2. FUND DEFICITS

Fund Deficits:

Fund balances/retained earnings at June 30, 1999, included the following individual fund deficits:

Special Revenue Fund:

Power Up Grant	(\$11,498)
Miscellaneous State Grants:	(\$ 624)
Title I	(\$41,331)
Preschool Grant	(\$ 1,172)

Enterprise Fund:

Uniform School Supply	(\$ 247)
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The deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. BUDGETARY BASIS OF ACCOUNTING

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

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

	Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$(1,992,301)	81,617	(136,984)	(1,728)	\$ (4,765)
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	1,778,414	43,891	(4,092)	0	0
Due to Expenditures:					
Net Adjustments to Expenditure	9,883	(152,452)	0	0	(358)
Due to Other Sources/Uses	(35,846)	52,347	0	0	0
Budget Basis	\$ (239,850)	25,403	(141,076)	(1,728)	\$ (5,123)

4. CASH AND INVESTMENTS

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

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. CASH AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year end, the carrying amount of the District's deposits was (\$89,530) and the bank balance was \$68,179. Of the bank balance:

1. All was covered by Federal Depository Insurance Corporation (FDIC).

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. CASH AND INVESTMENTS (continued)

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase Agreements	\$ 0	0	\$ 203,500	\$ 203,500	\$ 203,500
Federal Farm Credit	0	0	299,718	299,718	299,718
STAR Ohio				1,084,779	1,084,779
Total Investments				<u>\$ 1,587,997</u>	<u>\$ 1,587,997</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No.9	\$ 1,498,467	\$ 0
Investments:		
Repurchase Agreements	(203,500)	203,500
Federal Farm Credit	(299,718)	299,718
STAR Ohio	(1,084,779)	1,084,779
GASB Statement No.3	<u>\$ (89,530)</u>	<u>\$ 1,587,997</u>

5. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Madison County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1993, an update was done in 1996. The next revaluation is scheduled for 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Madison County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. PROPERTY TAX (continued)

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

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

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

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

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$38.70 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 33,167,830
Real Property-Residential/Agricultural	115,256,030
Personal Property-General	20,202,460
Personal Property-Public Utilities	<u>13,709,690</u>
Total Assessed Value	<u><u>\$ 182,336,010</u></u>

6. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds. A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Tuition	<u>\$ 666</u>
Special Revenue Fund:	
E Rate	8,546
Enterprise Fund:	
State & Federal Subsidy	<u>19,416</u>
Grand Total	<u><u>\$ 28,628</u></u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	\$ 223,535
Less Accumulated Depreciation	<u>(175,244)</u>
Net Fixed Assets	<u><u>\$ 48,291</u></u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 1,221,977	1,270,301	0	\$ 2,492,278
Buildings	6,354,683	269,012	0	6,623,695
Furniture and Equipment	3,503,416	165,655	31,957	3,637,114
Vehicles	838,808	98,125	80,000	856,933
Total General Fixed Assets	<u><u>\$ 11,918,884</u></u>	<u><u>1,803,093</u></u>	<u><u>111,957</u></u>	<u><u>\$ 13,610,020</u></u>

There was no significant construction in progress at June 30, 1999.

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$852,192, \$879,192, and \$785,712, respectively; 83.9 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$137,532 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$239,046, \$218,592, and \$183,480, respectively; 40.3 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$162,006 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 3.5 percent. For the District, this amount equaled \$213,048 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. POSTEMPLOYMENT BENEFITS (continued)

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million (the latest information available). SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$117,285 during the 1999 fiscal year.

10. COMPENSATED ABSENCES

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

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

The classified personnel accumulate vacation based on the following schedule:

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 240 days and for certified employees it is 250 days.

For classified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty-six days for certified employees and forty-eight for classified employees.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, the District maintains a \$3,000,000 umbrella liability policy, a \$50,000 worker's compensation defense cost liability policy, and a \$500,000 employee benefits liability policy.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss. The District maintains replacement cost insurance on buildings and contents in the amount of \$23,475,130. Settled claims have not exceeded this commercial coverage in any of the past three years.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool.. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the school district by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

B. Health Insurance

Effective September, 1998 the District changed from a self-insured program to a full indemnity program for health insurance coverage.

12. NOTES AND LONG-TERM DEBT

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District 's unvoted debt limit is \$182,336. The voted debt limit at June 30, 1999 is \$16,410,241.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. NOTES AND LONG-TERM DEBT (continued)

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Intergovernmental Payable	\$ 89,942	106,369	89,942	\$ 106,369
General Obligation Bonds Payable	460,000	0	230,000	230,000
Energy Notes Payable	655,000	0	105,000	550,000
Capital Leases Payable	74,627	802	28,477	46,952
Compensated Absences Payable	<u>870,416</u>	<u>842,380</u>	<u>870,416</u>	<u>842,380</u>
	<u>\$ 2,149,985</u>	<u>949,551</u>	<u>1,323,835</u>	<u>\$ 1,775,701</u>

The \$230,000 of outstanding General Obligation Bonds relate to a project in 1979, for which bonds were issued for the purpose of constructing and equipping a new high school building and improving the site thereof. These notes mature December 1999, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

The annual maturities of the general obligation bonds as of June 30, 1999, and related interest payments are as follows:

Year	Principal	Interest	Payment
2000	\$ 230,000	6,900	\$ 236,900

The annual maturities of the Energy Conservation Notes as of June 30, 1999, and related interest payments are as follows:

Year	Principal	Interest	Payment
2000	\$ 110,000	28,105	\$ 138,105
2001	115,000	21,745	136,745
2002	120,000	14,977	134,977
2003	50,000	10,380	60,380
2004 and thereafter	<u>155,000</u>	<u>15,990</u>	<u>170,990</u>
	<u>\$ 550,000</u>	<u>91,197</u>	<u>\$ 641,197</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. CAPITAL LEASES

The District is making installment payments on three capital assets. This equipment has been capitalized in the general fixed assets account group. This obligation provides for interest at rates ranging from 7.75% to 11%, with an outstanding balance of \$46,952 at June 30, 1999.

The following is a schedule of future minimum lease payments required under capital leases and present value of the minimum lease payments for copiers in the Governmental funds as of June 30, 1999:

Year	Year Ending June 30
2000	\$ 20,295
2001	19,488
2002	12,992
	<u>52,775</u>
Less interest:	5,823
Present Value of Minimum Lease Payments	<u><u>\$ 46,952</u></u>

14. INTERFUND TRANSACTIONS

At June 30, 1999, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 51,565	\$ 0
Special Revenue	0	51,565
	<u><u>\$ 51,565</u></u>	<u><u>\$ 51,565</u></u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Total
Operating Revenues	\$ 264,709	58,812	\$ 323,521
Operating Expenses:			
Depreciation	(7,390)	0	(7,390)
Other Expenses	(472,316)	(64,975)	(537,291)
Total Operating Expenses	(479,706)	(64,975)	(544,681)
Operating Loss	(214,997)	(6,163)	(221,160)
Non Operating Revenues			
State and Federal Grants	147,105	0	147,105
Federal Commodities	30,482	0	30,482
Transfers In	0	6,065	6,065
Net Loss	\$ (37,410)	(98)	\$ (37,508)
Net Working Capital	\$ 9,613	(247)	\$ 9,366
Total Assets	\$ 116,500	0	\$ 116,500
Total Fund Equity/Retained	\$ 57,904	(247)	\$ 57,657

16. JOINTLY GOVERNED ORGANIZATIONS

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

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

17. CONTINGENCIES (Continued)

B. Litigation

The District is a defendant in a legal proceedings pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements.

18. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$5,120,767 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of September 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

19. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

Property tax billing, collection and remittance for the District is handled by Madison County. The County is responsible for remediating this system, and is solely responsible for any associated costs.

The District utilized third party administrator organizations to provide computer services (EDP processing). In addition, its banking institution provides financial transactions for the District. The District has obtained assurances from these organizations or institutions regarding remediation of these systems. These organizations or institutions are responsible for remediating these systems, and are solely responsible for the associated costs.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

19. YEAR 2000 ISSUE (continued)

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems and is solely responsible for any associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

20. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1998	\$ 0	0	65,437	\$ 65,437
Current Year Set aside	154,669	154,669	77,335	386,673
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(323,704)	(623,189)	0	(946,893)
Total	<u>\$ (169,035)</u>	<u>(468,520)</u>	<u>142,772</u>	<u>\$ (494,783)</u>
Cash Balance Carried forward to FY2000	<u>\$ 0</u>	<u>0</u>	<u>142,772</u>	<u>\$ 142,772</u>

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

21. SUBSEQUENT EVENT

Board of Education member Penny Rucker resigned effective July 8, 1999. The Board appointed Richard Parsons July 31, 1999 to complete the term.

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor: Pass-Through Grantor: Program Grant Title	Pass- Through Grantor Number	CFDA #	Receipts	Non- Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department Agriculture						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution		10.550		\$30,482		\$30,482
School Breakfast Program	044255 05-PU 00	10.553	9,157		9,157	
National School Lunch	044255 03/04-PU 00	10.555	109,065		109,065	
Total U.S. Department of Agriculture -Child Nutrition Cluster			118,222	30,482	118,222	30,482
U.S. Department of Education:						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	044255 6B-SF 99 p	84.027	109,950		111,231	
Special Education Preschool Grants	044255 PG-S1 99 p	84.173	10,140		10,204	
Total Special Education Cluster			120,090		121,435	
Title 1, Part A, IASA	044255 C1-S1 99	84.010	371,253		373,960	
Adult Education-State Grant Program	044255 AB-S1 98 c	84.002	47,619		51,908	
State and Drug Free Schools- State Grants Title IV, Part A, Subpart 1 of ESEA	044255 DR-S1 99	84.186	8,031		5,953	
Total U.S. Department of Education			546,993		553,256	
Total Federal Assistance			\$665,215	\$30,482	\$671,478	\$30,482

The notes to the Schedule of Federal Awards, Receipts, and Expenditures are an integral part of this statement.

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Note A - The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

Note B- Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999 the District had no significant food commodities in inventory.



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the London City School District, Madison County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 21, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 21, 1999.

Board of Education
London City School District
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

JIM PETRO
Auditor of State

December 21, 1999



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

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

Compliance

We have audited the compliance of London City School District ("the District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District's compliance with those requirements.

In our opinion, District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

JIM PETRO
Auditor of State

December 21, 1999.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



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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
JANUARY 25, 2000**