



**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2001, and the results of its operations and the cash flows of its proprietary fund type and similar fiduciary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

January 16, 2002

**London City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

| | Governmental Fund Types | | | | Proprietary | Fiduciary | Account Groups | | Totals |
|---|-------------------------|--------------------|------------------|---------------------|-------------------------|-----------------------------------|-------------------------|----------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Fund Type Enterprise | Fund Types Trust and Agency | General Fixed Assets | General Long Term | 2001 (Memorandum) (Only) |
| Assets and Other Debits: | | | | | | | | | |
| Equity in Pooled Cash and | \$ 1,458,218 | 342,801 | 63,846 | 30,087,535 | 94,302 | 241,939 | 0 | 0 | \$ 32,288,641 |
| Restricted Cash | 66,940 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 66,940 |
| Taxes Receivable | 5,418,785 | 0 | 977,440 | 0 | 0 | 0 | 0 | 0 | 6,396,225 |
| Due from Other Funds | 0 | 0 | 0 | 0 | 0 | 207,127 | 0 | 0 | 207,127 |
| Intergovernmental Receivables | 12,520 | 67,258 | 0 | 0 | 19,530 | 0 | 0 | 0 | 99,308 |
| Accounts Receivable | 4,681 | 2,896 | 0 | 0 | 1,617 | 1,431 | 0 | 0 | 10,625 |
| Supplies Inventory | 0 | 0 | 0 | 0 | 862 | 0 | 0 | 0 | 862 |
| Inventory for Resale | 0 | 0 | 0 | 0 | 4,314 | 0 | 0 | 0 | 4,314 |
| Net Property, Plant & Equipment | 0 | 0 | 0 | 0 | 36,523 | 0 | 13,997,499 | 0 | 14,034,022 |
| Amount Available in Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 63,846 | 63,846 |
| Amount to be Provided for Retirement of General Long Term Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 31,259,854 | 31,259,854 |
| Total Assets and Other Debits | \$ 6,961,144 | 412,955 | 1,041,286 | 30,087,535 | 157,148 | 450,497 | 13,997,499 | 31,323,700 | \$ 84,431,764 |

(Continued)

**London City School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001**

| | Governmental Fund Types | | | | Proprietary | Fiduciary | Account Groups | | Totals |
|--|-------------------------|----------------|------------------|-------------------|----------------|----------------|-------------------|-------------------|----------------------|
| | General | Special | Debt | Capital | Fund Type | Trust and | General | General | 2001 |
| | | Revenue | Service | Projects | Enterprise | Agency | Fixed Assets | Long Term | (Memorandum) |
| | | | | | | | | | (Only) |
| Liabilities: | | | | | | | | | |
| Due to Other Funds | \$ 180,417 | 14,788 | 0 | 0 | 11,922 | 0 | 0 | 0 | \$ 207,127 |
| Intergovernmental Payable | 11,165 | 2,390 | 0 | 0 | 412 | 361,344 | 0 | 92,403 | 467,714 |
| Accounts Payable | 115,144 | 31,641 | 0 | 300 | 0 | 169 | 0 | 0 | 147,254 |
| Accrued Salaries and Benefits | 1,262,677 | 106,047 | 0 | 0 | 34,591 | 0 | 0 | 0 | 1,403,315 |
| Deferred Revenue | 3,330,644 | 13,975 | 977,440 | 0 | 2,615 | 0 | 0 | 0 | 4,324,674 |
| Due to Others | 0 | 0 | 0 | 0 | 0 | 53,204 | 0 | 0 | 53,204 |
| Notes Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30,000,000 | 30,000,000 |
| Bonds Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 325,000 | 325,000 |
| Leases Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,069 | 14,069 |
| Compensated Absences Payable | 66,412 | 0 | 0 | 0 | 9,196 | 0 | 0 | 892,228 | 967,836 |
| Total Liabilities | 4,966,459 | 168,841 | 977,440 | 300 | 58,736 | 414,717 | 0 | 31,323,700 | 37,910,193 |
| Fund Equity and Other Credits: | | | | | | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 | 0 | 0 | 13,997,499 | 0 | 13,997,499 |
| Retained Earnings | 0 | 0 | 0 | 0 | 98,412 | 0 | 0 | 0 | 98,412 |
| Fund Balances: | | | | | | | | | |
| Reserved for Encumbrances | 13,139 | 61,709 | 0 | 5,491 | 0 | 0 | 0 | 0 | 80,339 |
| Reserved for Contributions | 0 | 0 | 0 | 0 | 0 | 16,367 | 0 | 0 | 16,367 |
| Reserved for Budget Stabilization | 66,940 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 66,940 |
| Reserved for Future Appropriation | 2,088,141 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,088,141 |
| Undesignated Fund Balance | (173,535) | 182,405 | 63,846 | 30,081,744 | 0 | 19,413 | 0 | 0 | 30,173,873 |
| Total Fund Equity | 1,994,685 | 244,114 | 63,846 | 30,087,235 | 0 | 35,780 | 0 | 0 | 32,425,660 |
| Total Fund Balances/Retained Earnings and Other | 1,994,685 | 244,114 | 63,846 | 30,087,235 | 98,412 | 35,780 | 13,997,499 | 0 | 46,521,571 |
| Total Liabilities, Fund Equity, and Other Credits | \$ 6,961,144 | 412,955 | 1,041,286 | 30,087,535 | 157,148 | 450,497 | 13,997,499 | 31,323,700 | \$ 84,431,764 |

See Accompanying Notes to the General Purpose Financial Statements

London City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

| | Governmental Fund Types | | | | Fiduciary | Totals |
|---|-------------------------|------------------|----------------|-------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Project | Expendable Trust | (Memorandum) (Only) |
| REVENUES: | | | | | | |
| Taxes | \$ 5,386,116 | 0 | 0 | 0 | 0 | \$ 5,386,116 |
| Tuition | 90,237 | 270 | 0 | 0 | 0 | 90,507 |
| Earnings on Investments | 167,650 | 0 | 0 | 33,226 | 0 | 200,876 |
| Extracurricular Activities | 27,747 | 156,996 | 0 | 0 | 1,200 | 185,943 |
| Classroom Materials and Fees | 555 | 0 | 0 | 0 | 0 | 555 |
| Miscellaneous | 11,708 | 105,767 | 0 | 0 | 25,615 | 143,090 |
| Revenue from Intermediate Sources | | | | | | |
| Revenue For/On Behalf of District | 0 | 0 | 0 | 33,470 | 0 | 33,470 |
| Revenue from State Sources | | | | | | |
| Unrestricted Grants-in-Aid | 6,207,112 | 0 | 0 | 0 | 0 | 6,207,112 |
| Restricted Grants-in-Aid | 69,203 | 226,691 | 0 | 107,475 | 0 | 403,369 |
| Revenue from Federal Sources | | | | | | |
| Restricted Grants-in-Aid | 0 | 695,524 | 0 | 0 | 0 | 695,524 |
| Total Revenue | 11,960,328 | 1,185,248 | 0 | 174,171 | 26,815 | 13,346,562 |
| EXPENDITURES: | | | | | | |
| Instruction | | | | | | |
| Regular | 5,825,508 | 100,019 | 0 | 94,312 | 0 | 6,019,839 |
| Special | 983,841 | 531,050 | 0 | 0 | 0 | 1,514,891 |
| Vocational | 253,276 | 11,778 | 0 | 0 | 0 | 265,054 |
| Adult/Continuing Instruction | (609) | 41,808 | 0 | 0 | 0 | 41,199 |
| Supporting Services | | | | | | |
| Pupils | 466,631 | 39,248 | 0 | 0 | 0 | 505,879 |
| Instructional Staff | 469,067 | 138,226 | 0 | 0 | 0 | 607,293 |
| Board of Education | 41,601 | 0 | 0 | 0 | 0 | 41,601 |
| Administration | 1,207,853 | 7,280 | 0 | 0 | 0 | 1,215,133 |
| Fiscal Services | 308,696 | 3,257 | 0 | 0 | 0 | 311,953 |
| Support Services-Business | 41 | 3,011 | 0 | 0 | 0 | 3,052 |
| Operation & Maintenance-Plant | 1,216,849 | (1,154) | 0 | 48,208 | 0 | 1,263,903 |
| Pupil Transportation | 565,298 | 1,211 | 0 | 0 | 0 | 566,509 |
| Central | 89,789 | 24,591 | 0 | 3,000 | 0 | 117,380 |
| Operation of Non-Instructional Services | | | | | | |
| Food Service/ Community Services | (851) | 79,436 | 0 | 0 | 0 | 78,585 |
| Extracurricular Activities | | | | | | |
| Academic & Subject Oriented | 35,925 | 10,498 | 0 | 0 | 0 | 46,423 |
| Sports Oriented | 205,205 | 127,772 | 0 | 0 | 0 | 332,977 |
| Co-Curricular Activities | 86,721 | 56,179 | 0 | 0 | 25,415 | 168,315 |
| Capital Outlay | | | | | | |
| Building Improvement | 0 | 0 | 0 | 300 | 0 | 300 |
| Debt Service | | | | | | |
| Principal | 0 | 0 | 115,000 | 0 | 0 | 115,000 |
| Interest and Fiscal Charges | 0 | 0 | 21,745 | 57,504 | 0 | 79,249 |
| Total Expenditures | 11,754,841 | 1,174,210 | 136,745 | 203,324 | 25,415 | 13,294,535 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over (Under) Expenditures | 205,487 | 11,038 | (136,745) | (29,153) | 1,400 | 52,027 |
| Other Financing Sources and Uses: | | | | | | |
| Other Financing Sources | | | | | | |
| Premium & Accrued Interest | 0 | 0 | 0 | 119,400 | 0 | 119,400 |
| Sale & Loss of Assets | 500 | 0 | 0 | 11,067 | 0 | 11,567 |
| Proceeds from Sale of Notes | 0 | 0 | 0 | 30,000,000 | 0 | 30,000,000 |
| Transfers-In | 0 | 2,823 | 198,641 | 0 | 0 | 201,464 |
| Refund of Prior Years Expenditures | 8,055 | 0 | 0 | 0 | 0 | 8,055 |
| Other Financing Uses | | | | | | |
| Transfer-Out | (139,568) | 0 | 0 | (61,896) | 0 | (201,464) |
| Refund of Prior Years Receipts | (4,427) | 0 | 0 | 0 | 0 | (4,427) |
| Net Other Financing Sources and Uses | (135,440) | 2,823 | 198,641 | 30,068,571 | 0 | 30,134,595 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures | | | | | | |
| Disbursements and Other Uses | 70,047 | 13,861 | 61,896 | 30,039,418 | 1,400 | 30,186,622 |
| Beginning Fund Balance | 1,924,638 | 230,253 | 1,950 | 47,817 | 16,619 | 2,221,277 |
| Ending Fund Balance | \$ 1,994,685 | 244,114 | 63,846 | 30,087,235 | 18,019 | \$ 32,407,899 |

See Accompanying Notes to the General Purpose Financial Statements

London City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

| | General Fund | | | Special Revenue Funds | | |
|---|---------------------|-------------------|----------------------------|-----------------------|------------------|----------------------------|
| | Revised | | Variance | Revised | | Variance |
| | Budget | Actual | Favorable (Unfavorable) | Budget | Actual | Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 5,052,476 | 5,192,590 | 140,114 | 0 | 0 | \$ 0 |
| Tuition | 85,814 | 85,814 | 0 | 0 | 270 | 270 |
| Earnings on Investment | 170,021 | 178,323 | 8,302 | 0 | 0 | 0 |
| Extracurricular Activities | 27,747 | 27,747 | 0 | 143,274 | 145,296 | 2,022 |
| Classroom Materials and Fees | 481 | 555 | 74 | 0 | 0 | 0 |
| Miscellaneous | 18,715 | 19,406 | 691 | 95,635 | 104,627 | 8,992 |
| Revenue for/on Behalf of District | 0 | 0 | 0 | 0 | 0 | 0 |
| State Unrestricted Grants-in-Aid | 6,207,075 | 6,207,112 | 37 | 0 | 0 | 0 |
| State Restricted Grants-in-Aid | 69,203 | 69,203 | 0 | 209,054 | 211,254 | 2,200 |
| Federal Restricted Grants-in-Aid | 0 | 0 | 0 | 678,914 | 682,946 | 4,032 |
| Total Revenue | 11,631,532 | 11,780,750 | 149,218 | 1,126,877 | 1,144,393 | 17,516 |
| Expenditures: | | | | | | |
| Regular Instruction | 5,562,761 | 5,542,234 | 20,527 | 162,994 | 128,576 | 34,418 |
| Special Instruction | 976,744 | 974,505 | 2,239 | 529,271 | 499,020 | 30,251 |
| Vocational Instruction | 243,754 | 242,327 | 1,427 | 11,778 | 11,778 | 0 |
| Adult/Continuing Instruction | 0 | 0 | 0 | 47,456 | 39,567 | 7,889 |
| Support Services-Pupils | 461,583 | 458,107 | 3,476 | 43,434 | 34,943 | 8,491 |
| Support Services-Instructional Staff | 451,939 | 447,805 | 4,134 | 184,789 | 124,026 | 60,763 |
| Support Services-Board of Education | 45,980 | 44,252 | 1,728 | 0 | 0 | 0 |
| Support Services-Administration | 1,207,815 | 1,200,738 | 7,077 | 7,742 | 7,218 | 524 |
| Fiscal Services | 312,957 | 312,247 | 710 | 3,257 | 3,257 | 0 |
| Support Services-Business | 0 | 0 | 0 | 3,011 | 3,011 | 0 |
| Operation & Maintenance-Plant | 1,227,433 | 1,217,245 | 10,188 | 170 | 170 | 0 |
| Support Services-Transportation | 559,004 | 548,193 | 10,811 | 1,211 | 1,211 | 0 |
| Support Services-Central | 91,523 | 89,240 | 2,283 | 32,339 | 26,403 | 5,936 |
| Food Service Operations | 0 | 0 | 0 | 131,106 | 127,666 | 3,440 |
| Community Services | 0 | 0 | 0 | 15,417 | 10,735 | 4,682 |
| Academic & Subject Oriented | 39,252 | 35,828 | 3,424 | 137,938 | 127,253 | 10,685 |
| Sports Oriented | 200,159 | 199,637 | 522 | 58,266 | 42,875 | 15,391 |
| Co-Curricular Activities | 86,644 | 86,072 | 572 | 0 | 0 | 0 |
| Building Acquisition & Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayment of Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 11,467,548 | 11,398,430 | 69,118 | 1,370,179 | 1,187,709 | 182,470 |
| Excess of Revenue Over (Under) Expenditures | 163,984 | 382,320 | 218,336 | (243,302) | (43,316) | 199,986 |
| Other Financing Sources (Uses): | | | | | | |
| Premium & Accrued Interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Sale & Loss of Assets | 3,701 | 3,701 | 0 | 0 | 0 | 0 |
| Proceeds from Sale of Notes | | | | | | |
| Transfers-In | 0 | 0 | 0 | 2,823 | 2,823 | 0 |
| Advances-In | 17,664 | 17,664 | 0 | 0 | 0 | 0 |
| Refund of Prior Years Expenditures | 4,138 | 4,138 | 0 | 0 | 0 | 0 |
| Transfers-Out | (139,568) | (139,568) | 0 | 0 | 0 | 0 |
| Advances-Out | 0 | 0 | 0 | 0 | (1,227) | (1,227) |
| Refund of Prior Years Receipts | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Sources (Uses) | (114,065) | (114,065) | 0 | 2,823 | 1,596 | (1,227) |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 49,919 | 268,255 | 218,336 | (240,479) | (41,720) | 198,759 |
| Beginning Fund Balance | 981,010 | 981,010 | -- | 282,310 | 282,310 | -- |
| Prior Year Carry Over Encumbrances | 243,999 | 243,999 | -- | 18,106 | 18,106 | -- |
| Ending Fund Balance | \$ 1,274,928 | 1,493,264 | 218,336 | 59,937 | 258,696 | \$ 198,759 |

(Continued)

London City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Types- Continued
Year Ended June 30, 2001

| | Debt Service Funds | | | Capital Project Funds | | |
|---|--------------------|----------------|--|-----------------------|-------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 0 | 0 | 0 | 0 | 0 | \$ 0 |
| Tuition | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings on Investment | 0 | 0 | 0 | 0 | 33,226 | 33,226 |
| 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 |
| Revenue for/on Behalf of District | 0 | 0 | 0 | 33,470 | 33,470 | 0 |
| State Unrestricted Grants-in-Aid | 0 | 0 | 0 | 0 | 0 | 0 |
| State Restricted Grants-in-Aid | 0 | 0 | 0 | 106,912 | 123,912 | 17,000 |
| Federal Restricted Grants-in-Aid | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 0 | 0 | 0 | 140,382 | 190,608 | 50,226 |
| Expenditures: | | | | | | |
| Regular Instruction | 0 | 0 | 0 | 100,475 | 94,312 | 6,163 |
| Special Instruction | 0 | 0 | 0 | 0 | 0 | 0 |
| Vocational Instruction | 0 | 0 | 0 | 0 | 0 | 0 |
| Adult/Continuing Instruction | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Pupils | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Instructional Staff | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Board of Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Administration | 0 | 0 | 0 | 0 | 0 | 0 |
| Fiscal Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Operation & Maintenance-Plant | 0 | 0 | 0 | 73,500 | 59,934 | 13,566 |
| Support Services-Transportation | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Central | 0 | 0 | 0 | 3,000 | 3,000 | 0 |
| Food Service Operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Community Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Academic & Subject Oriented | 0 | 0 | 0 | 0 | 0 | 0 |
| Sports Oriented | 0 | 0 | 0 | 0 | 0 | 0 |
| Co-Curricular Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Building Acquisition & Construction | 0 | 0 | 0 | 30,000,000 | 57,804 | 29,942,196 |
| Repayment of Debt | 138,695 | 136,745 | 1,950 | 0 | 0 | 0 |
| Total Expenditures | 138,695 | 136,745 | 1,950 | 30,176,975 | 215,050 | 29,961,925 |
| Excess of Revenue Over (Under) Expenditures | (138,695) | (136,745) | 1,950 | (30,036,593) | (24,442) | 30,012,151 |
| Other Financing Sources (Uses): | | | | | | |
| Premium & Accrued Interest | 0 | 0 | 0 | 0 | 119,400 | 119,400 |
| Sale & Loss of Assets | 0 | 0 | 0 | 11,067 | 11,067 | 0 |
| Proceeds from Sale of Notes | 0 | 0 | 0 | 30,000,000 | 30,000,000 | 0 |
| Transfers-In | 136,745 | 198,641 | 61,896 | 0 | 0 | 0 |
| Advances-In | 0 | 0 | 0 | 0 | 0 | 0 |
| Refund of Prior Years Expenditures | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers-Out | 0 | 0 | 0 | 0 | (61,896) | (61,896) |
| Advances-Out | 0 | 0 | 0 | 0 | (16,437) | (16,437) |
| Refund of Prior Years Receipts | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Sources (Uses) | 136,745 | 198,641 | 61,896 | 30,011,067 | 30,052,134 | 41,067 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (1,950) | 61,896 | 63,846 | (25,526) | 30,027,692 | 30,053,218 |
| Beginning Fund Balance | 1,950 | 1,950 | -- | 47,818 | 47,818 | -- |
| Prior Year Carry Over Encumbrances | 0 | 0 | -- | 6,234 | 6,234 | -- |
| Ending Fund Balance | \$ 0 | 63,846 | 63,846 | 28,526 | 30,081,744 | \$ 30,053,218 |

(Continued)

London City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Types
Year Ended June 30, 2001

| | Expendable Trust Funds | | | Totals (Memorandum Only) | | |
|--|------------------------|----------------|--|--------------------------|-------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 0 | 0 | 0 | 5,052,476 | 5,192,590 | \$ 140,114 |
| Tuition | 0 | 0 | 0 | 85,814 | 86,084 | 270 |
| Earnings on Investment | 0 | 0 | 0 | 170,021 | 211,549 | 41,528 |
| Extracurricular Activities | 1,255 | 1,255 | 0 | 172,276 | 174,298 | 2,022 |
| Classroom Materials and Fees | 0 | 0 | 0 | 481 | 555 | 74 |
| Miscellaneous | 25,323 | 25,323 | 0 | 139,673 | 149,356 | 9,683 |
| Revenue for/on Behalf of District | 0 | 0 | 0 | 33,470 | 33,470 | 0 |
| State Unrestricted Grants-in-Aid | 0 | 0 | 0 | 6,207,075 | 6,207,112 | 37 |
| State Restricted Grants-in-Aid | 0 | 0 | 0 | 385,169 | 404,369 | 19,200 |
| Federal Restricted Grants-in-Aid | 0 | 0 | 0 | 678,914 | 682,946 | 4,032 |
| Total Revenue | 26,578 | 26,578 | 0 | 12,925,369 | 13,142,329 | 216,960 |
| Expenditures: | | | | | | |
| Regular Instruction | 0 | 0 | 0 | 5,826,230 | 5,765,122 | 61,108 |
| Special Instruction | 0 | 0 | 0 | 1,506,015 | 1,473,525 | 32,490 |
| Vocational Instruction | 0 | 0 | 0 | 255,532 | 254,105 | 1,427 |
| Adult/Continuing Instruction | 0 | 0 | 0 | 47,456 | 39,567 | 7,889 |
| Support Services-Pupils | 0 | 0 | 0 | 505,017 | 493,050 | 11,967 |
| Support Services-Instructional Staff | 0 | 0 | 0 | 636,728 | 571,831 | 64,897 |
| Support Services-Board of Education | 0 | 0 | 0 | 45,980 | 44,252 | 1,728 |
| Support Services-Administration | 0 | 0 | 0 | 1,215,557 | 1,207,956 | 7,601 |
| Fiscal Services | 0 | 0 | 0 | 316,214 | 315,504 | 710 |
| Support Services-Business | 0 | 0 | 0 | 3,011 | 3,011 | 0 |
| Operation & Maintenance-Plant | 0 | 0 | 0 | 1,301,103 | 1,277,349 | 23,754 |
| Support Services-Transportation | 0 | 0 | 0 | 560,215 | 549,404 | 10,811 |
| Support Services-Central | 0 | 0 | 0 | 126,862 | 118,643 | 8,219 |
| Food Service Operations | 0 | 0 | 0 | 131,106 | 127,666 | 3,440 |
| Community Services | 0 | 0 | 0 | 15,417 | 10,735 | 4,682 |
| Academic & Subject Oriented | 0 | 0 | 0 | 177,190 | 163,081 | 14,109 |
| Sports Oriented | 0 | 0 | 0 | 258,425 | 242,512 | 15,913 |
| Co-Curricular Activities | 36,952 | 28,915 | 8,037 | 123,596 | 114,987 | 8,609 |
| Building Acquisition & Construction | 0 | 0 | 0 | 30,000,000 | 57,804 | 29,942,196 |
| Repayment of Debt | 0 | 0 | 0 | 138,695 | 136,745 | 1,950 |
| Total Expenditures | 36,952 | 28,915 | 8,037 | 43,190,349 | 12,966,849 | 30,223,500 |
| Excess of Revenue Over (Under) Expenditures | (10,374) | (2,337) | 8,037 | (30,264,980) | 175,480 | 30,440,460 |
| Other Financing Sources (Uses): | | | | | | |
| Premium & Accrued Interest | 0 | 0 | 0 | 0 | 119,400 | 119,400 |
| Sale & Loss of Assets | 0 | 0 | 0 | 14,768 | 14,768 | 0 |
| Proceeds from Sale of Notes | 0 | 0 | 0 | 30,000,000 | 30,000,000 | 0 |
| Transfers-In | 0 | 0 | 0 | 139,568 | 201,464 | 61,896 |
| Advances-In | 0 | 0 | 0 | 17,664 | 17,664 | 0 |
| Refund of Prior Years Expenditures | 0 | 0 | 0 | 4,138 | 4,138 | 0 |
| Transfers-Out | 0 | 0 | 0 | (139,568) | (201,464) | (61,896) |
| Advances-Out | 0 | 0 | 0 | 0 | (17,664) | (17,664) |
| Refund of Prior Years Receipts | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Sources (Uses) | 0 | 0 | 0 | 30,036,570 | 30,138,306 | 101,736 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (10,374) | (2,337) | 8,037 | (228,410) | 30,313,786 | 30,542,196 |
| Beginning Fund Balance | 16,479 | 16,479 | -- | 1,329,567 | 1,329,567 | -- |
| Prior Year Carry Over Encumbrances | 25 | 25 | -- | 268,364 | 268,364 | -- |
| Ending Fund Balance | \$ 6,130 | 14,167 | 8,037 | 1,369,521 | 31,911,717 | \$ 30,542,196 |

See Accompanying Notes to the General Purpose Financial Statements

London City School District
Combined Statement of Revenues, Expenses, and Changes in Retained
Earnings/Fund Balance
Proprietary Fund Type and Similar Fiduciary Fund Type
Year Ended June 30, 2001

| | Proprietary Fund Type | | Totals (Memorandum) (Only) |
|---|--------------------------|--------------------------------------|----------------------------------|
| | Enterprise Funds | Non- Expendable Trust Funds | |
| Operating Revenues: | | | |
| Food Service | \$ 289,380 | 0 | \$ 289,380 |
| Earnings on Investment | 0 | 928 | 928 |
| Classroom Materials & Fees | 65,229 | 0 | 65,229 |
| Total Operating Revenue | <u>354,609</u> | <u>928</u> | <u>355,537</u> |
| Operating Expenses: | | | |
| Personal Services - Salary | 184,155 | 0 | 184,155 |
| Employee Benefits | 60,802 | 0 | 60,802 |
| Purchased Services | 12,548 | 764 | 13,312 |
| Supplies and Materials | 259,569 | 0 | 259,569 |
| Depreciation | 5,890 | 0 | 5,890 |
| Total Operating Expenses | <u>522,964</u> | <u>764</u> | <u>523,728</u> |
| Operating Income (Loss) | (168,355) | 164 | (168,191) |
| Non-Operating Revenues: | | | |
| Earnings On Investments | 5,206 | 0 | 5,206 |
| Gain on the sale of Assets | 802 | 0 | 802 |
| State Unrestricted Grants-In-Aid | 9,460 | 0 | 9,460 |
| Federal Unrestricted Grants-In-Aid | 168,757 | 0 | 168,757 |
| Total Non-Operating Revenues | <u>184,225</u> | <u>0</u> | <u>184,225</u> |
| Net Income | <u>15,870</u> | <u>164</u> | <u>16,034</u> |
| Beginning Retained Earnings/Fund Balance | 82,542 | 17,597 | 100,139 |
| Retained Earnings/Fund Balance at End of Year | <u>\$ 98,412</u> | <u>17,761</u> | <u>\$ 116,173</u> |

See Accompanying Notes to the General Purpose Financial Statements

London City School District
Combined Statement of Cash Flows
Proprietary Fund Type and Similar Fiduciary Fund Type
Year Ended June 30, 2001

| | Proprietary Fund Types | | Totals (Memorandum) (Only) |
|--|---------------------------|--------------------------------------|----------------------------------|
| | Enterprise Funds | Non- Expendable Trust Funds | |
| Cash Flows from Operating Activities: | | | |
| Operating Income (Loss) | \$ (168,355) | 164 | \$ (168,191) |
| Adjustment to Reconcile Operating Gain (Loss) | | | |
| To Net Cash used in Operating Activities: | | | |
| Depreciation | 5,890 | 0 | 5,890 |
| Net (Increase) Decrease in Assets: | | | |
| Accounts Receivable | (1,511) | (164) | (1,675) |
| Inventory | 29,043 | | 29,043 |
| Net Increases (Decreases) in Liabilities: | | | |
| Due to Other Funds | 11,607 | 0 | 11,607 |
| Accounts Payable | (2,472) | 0 | (2,472) |
| Intergovernmental Payable | (15,106) | 0 | (15,106) |
| Accrued Wages and Benefits | 6,455 | 0 | 6,455 |
| Compensated Absences | 7,487 | 0 | 7,487 |
| Total Adjustments | 41,393 | (164) | 41,229 |
| Net Cash Used in Operating Activities | (126,962) | 0 | (126,962) |
| Cash Flows from Noncapital Activities: | | | |
| Investment Earnings | 5,206 | 0 | 5,206 |
| Grants from State Sources | 9,460 | 0 | 9,460 |
| Grants from Federal Sources | 116,625 | 0 | 116,625 |
| Federal Commodities | 0 | 0 | 0 |
| Net Cash Provided by Noncapital Financing Sources | 131,291 | 0 | 131,291 |
| Net Decrease in Cash & Cash Equivalents | 4,329 | 0 | 4,329 |
| Cash and Cash Equivalents at Beginning of Year | 89,973 | 16,965 | 106,938 |
| Cash and Cash Equivalents at End of Year | \$ 94,302 | 16,965 | \$ 111,267 |
| See Accompanying Notes to the General Purpose Financial Statements | | | |

Reconciliation of Non-Expendable Trust Funds Cash and Cash Equivalents to Balance Sheet

| | |
|--|-----------|
| All Fiduciary Fund Types | 241,939 |
| Less: Agency | (207,307) |
| Less: Expendable Trust | (17,667) |
| Cash and Cash Equivalents - Non-Expendable Trust | 16,965 |

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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, 2000 was 2,129. The District employed 162 certified employees and 82 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 acquisition 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

B. Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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).

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(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 is the proprietary fund type:

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 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.

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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Grants and entitlements must also meet timing, eligibility, and contingency requirements.
 - 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, 2001 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2001 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

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

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure 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 20th 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this Certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets upon review of the Treasurer. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund.
- 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 budget basis of accounting and GAAP basis are that:

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

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budget 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, federal agency securities, commercial paper, banker acceptance notes, 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 invested funds in STAR Ohio during fiscal year 2001. 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, 2001.

For the District, all investment earnings accrue to the General Fund, Capital Project, Enterprise Fund and Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2001 totaled \$207,010.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, all investments of the cash management pool are considered to be cash equivalents.

F. 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, 2001. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets

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

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

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

I. 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. Grants and entitlements must also meet timing, eligibility, and contingency requirements.

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
OneNet Grant
School Net Plus Grant

Special Revenue Funds

Educational Management Information Systems
Auxiliary Services

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants:

Special Revenue Funds

- Career Education
- Block Grant
- Early Childhood Grant
- Miscellaneous State Grants
- Able Grant
- Title I
- Title VI
- Title VI-B
- Drug Free Schools
- Eisenhower Math/Science
- Preschool Grant
- Goals 2001
- School Improvement Incentive Award Grant
- Title VI-R

Reimbursable Grants:

Special Revenue Fund

- Telecommunications Act Grant Fund (E-Rate)
- Summer School Intervention

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately **54%** of the District's revenue during the 2001 fiscal year.

J. 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, 2001, the District had \$207,127 in "Due to/from Other Funds."

K. 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 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.

L. 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.

M. 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

O. Memorandum Only - Total Columns

Total columns on the general purpose 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. 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 Similar Fiduciary Fund Type

| | General Fund | Special Revenue | Capital Project | Expendable Trust |
|--|-------------------|--------------------|--------------------|---------------------|
| GAAP Basis | \$ 70,047 | 13,861 | 30,039,418 | \$ 1,400 |
| Increase (Decrease): | | | | |
| Due to Revenue Accruals: | | | | |
| Net Adjustments to Revenue | (179,578) | (40,855) | 16,437 | (237) |
| Due to Expenditure Accruals and Encumbrances | | | | |
| Net Adjustments to Expenditures Accruals | 356,411 | (13,499) | (11,726) | (3,500) |
| Due to Other Sources/Uses | 21,375 | (1,227) | (16,437) | 0 |
| Budget Basis | <u>\$ 268,255</u> | <u>(41,720)</u> | <u>30,027,692</u> | <u>\$ (2,337)</u> |

The Debt Service Fund Type is not listed because adjustments are not necessary to reconcile.

3. 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. CASH AND INVESTMENTS (Continued)

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;
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 monies available for investment at any one time.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. CASH AND INVESTMENTS (Continued)

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 \$65,103 and the bank balance was \$195,529. Of the balance, \$100,000 was covered by Federal Depository Insurance; and \$95,529 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the 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.

| | Category | | | Carrying Amount | Fair Value |
|-----------------------|----------|------|-----------|----------------------|----------------------|
| | 1 | 2 | 3 | | |
| Repurchase Agreements | \$ 0 | \$ 0 | \$ 53,754 | \$ 53,754 | \$ 53,754 |
| STAR Ohio | | | | 32,236,724 | 32,236,724 |
| Total Investments | | | | <u>\$ 32,290,478</u> | <u>\$ 32,290,478</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*.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. CASH AND INVESTMENTS (Continued)

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 | \$ 32,355,581 | \$ 0 |
| Investments: | | |
| Repurchase Agreement | (53,754) | 53,754 |
| STAR Ohio Construction | (32,236,724) | 32,236,724 |
| GASB Statement No. 3 | \$ 65,103 | \$ 32,290,478 |

4. 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 triennial update for the District was completed in 1999, a sexennial reappraisal is scheduled for 2002. The next triennial update is scheduled for 2005. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Madison County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

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

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

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. PROPERTY TAX (Continued)

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, 2001 for operations was \$37.30 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

| | | |
|--|----|---------------------------|
| Real Property-Commercial/Industrial | \$ | 33,579,580 |
| Real Property-Residential/Agricultural | | 143,987,670 |
| Personal Property-General | | 24,116,760 |
| Personal Property-Public Utilities | | <u>12,484,180</u> |
| Total Assessed Value | \$ | <u><u>214,168,190</u></u> |

5. RECEIVABLES

Receivables at June 30, 2001 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>12,520</u> |
| Fund Total | | 12,520 |
| Special Revenue: | | |
| Title IV-R | | 5,333 |
| Title I | | 47,950 |
| Title IV-B | | 13,975 |
| Fund Total | | 67,258 |
| Enterprise Fund: | | |
| Lunchroom Program | | <u>19,530</u> |
| Fund Total | | <u>19,530</u> |
| Grand Total | \$ | <u><u>99,308</u></u> |

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

| | |
|-------------------------------|-------------------------|
| Furniture and Equipment | \$ 208,528 |
| Less Accumulated Depreciation | <u>(172,005)</u> |
| Net Fixed Assets | <u><u>\$ 36,523</u></u> |

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

| | General Fixed Assets June 30, 2000 | Additions | Deletions | General Fixed Assets June 30, 2001 |
|----------------------------|--|-----------------------|-------------------------|--|
| Land and Improvements | \$ 2,491,075 | 0 | (1,273) | \$ 2,489,802 |
| Buildings | 6,623,695 | 0 | 0 | 6,623,695 |
| Furniture and Equipment | 3,862,798 | 305,069 | (92,766) | 4,075,101 |
| Vehicles | 821,781 | 0 | (12,880) | 808,901 |
| Total General Fixed Assets | <u><u>\$ 13,799,349</u></u> | <u><u>305,069</u></u> | <u><u>(106,919)</u></u> | <u><u>\$ 13,997,499</u></u> |

There was no significant construction in progress at June 30, 2001.

The ending General Fixed Assets Balance as of June 30, 2000 was restated from \$13,793,115 to \$13,799,349. The increase of \$6,234 resulted from the discovery of previously unrecorded assets.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$246,984, \$244,008 and \$239,046 respectively; 46.60 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$141,520 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. 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 required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$948,096, \$893,808 and \$852,192, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$158,016 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

8. 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$304,745 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$190,970.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

9. COMPENSATED ABSENCES

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

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. COMPENSATED ABSENCES (Continued)

The classified personnel accumulate vacation based on the following schedule:

| Years Service | Vacation Days |
|---------------|---------------|
| 1-9 | 10 days |
| 10-19 | 15 days |
| 20 and beyond | 20 days |

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 255 days and for certified employees it is 290 days.

Employees who have been employed by the District for a minimum of ten consecutive years at the time of retirement are entitled to retirement severance pay. Severance pay is paid to an eligible retiring employee at his/her per diem rate of his/her annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 62 days for certified employees and 51 for classified employees.

10. RISK MANAGEMENT

A. General Risk

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

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss. The District maintains replacement cost insurance on buildings and contents in the amount of \$24,675,902. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

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

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

A. General Risk (Continued)

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

B. Health Insurance

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

11. NOTES AND LONG-TERM DEBT

Debt Limitations:

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 \$214,168. The voted debt limit at June 30, 2001 is \$19,277,837.

Additionally, ORC provides in Section 133.06 (E) that school districts may qualify for Special Needs Status when issuance of bonds would cause the total debt to exceed the 9.0% direct debt limitation. The District, on February 12, 2001, requested that it be granted Special Needs Status by the State Superintendent of Public Instruction. This request was granted on March 8, 2001. Following the award of Special Needs Status, the District issued Bond Anticipation Notes in the amount of \$30,000,000 on June 21, 2001 with a maturity date of December 12, 2001.

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

| | Balance | | | Balance |
|---------------------------------|---------------------|-------------------|------------------|----------------------|
| | July 1, 2000 | Additions | Deletions | June 30,2001 |
| Intergovernmental Payable | \$ 102,409 | 92,403 | 102,409 | \$ 92,403 |
| Energy Notes Payable | 440,000 | 0 | 115,000 | 325,000 |
| Bond Anticipation Notes Payable | 0 | 30,000,000 | 0 | 30,000,000 |
| Capital Leases Payable | 31,033 | 0 | 16,964 | 14,069 |
| Compensated Absences Payable | 883,078 | 892,228 | 883,078 | 892,228 |
| | <u>\$ 1,456,520</u> | <u>30,984,631</u> | <u>1,117,451</u> | <u>\$ 31,323,700</u> |

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. NOTES AND LONG-TERM DEBT (Continued)

The annual maturities of the Energy Conservation Notes as of June 30, 2001, and related interest payments are as follows:

| Year | Principal | Interest | Payment |
|---------------------|-------------------|---------------|-------------------|
| 2002 | \$ 120,000 | 14,978 | \$ 134,978 |
| 2003 | 50,000 | 10,380 | 60,380 |
| 2004 | 50,000 | 7,855 | 57,855 |
| 2005 and thereafter | 105,000 | 8,135 | 113,135 |
| | <u>\$ 325,000</u> | <u>41,348</u> | <u>\$ 366,348</u> |

12. CAPITAL LEASES

The District is making installment payments on capital assets. This equipment has been capitalized in the general fixed assets account group. This obligation provides for interest at 12.8%, with an outstanding balance of \$14,069 in June 30, 2001.

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, 2001:

| Year | Year Ending June 30 |
|---|------------------------|
| 2002 | \$ 14,616 |
| | <u>14,616</u> |
| Less interest: | 547 |
| Present Value of Minimum Lease Payments | <u>\$ 14,069</u> |

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

| | Lunchroom Fund | Uniform School Supplies Fund | Total |
|--------------------------|-------------------|---------------------------------------|------------|
| Operating Revenues | \$ 289,380 | 65,229 | \$ 354,609 |
| Operating Expenses: | | | |
| Depreciation | (5,890) | 0 | (5,890) |
| Other Expenses | (457,696) | (59,378) | (517,074) |
| Total Operating Expenses | (463,586) | (59,378) | (522,964) |
| Operating Income (Loss) | (174,206) | 5,851 | (168,355) |
| Non Operating Revenues: | | | |
| State and Federal Grants | 178,217 | 0 | 178,217 |
| Gain on sale of Assets | 802 | 0 | 802 |
| Earnings on Investments | 5,206 | 0 | 5,206 |
| Net Income (Loss) | \$ 10,019 | 5,851 | \$ 15,870 |
| Net Working Capital | \$ 62,676 | 8,409 | \$ 71,085 |
| Total Assets | \$ 148,739 | 8,409 | \$ 157,148 |
| Total Retained Earnings | \$ 90,003 | 8,409 | \$ 98,412 |

14. JOINTLY GOVERNED ORGANIZATIONS

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

Central Ohio Joint Vocational School - The Central Ohio Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Central Ohio Joint Vocational School, Treasurer, at 7877 U.S. Route 42 NE, Plain City, Ohio 43064

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. 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, 2001.

B. Litigation

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

16. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

17. 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, 2001, the reserve activity was as follows:

| | Textbook Acquisition | Capital Acquisition | Budget Stabilization | Total |
|---|-------------------------|------------------------|-------------------------|--------------------|
| Set aside Cash Balance as of June 30, 2000 | \$ 5,525 | \$ 0 | \$ 154,177 | \$ 159,702 |
| Current Year Set-Aside Requirement | 267,767 | 267,767 | | 535,534 |
| Non-Bureau of Worker's Compensation | | | (87,237) | (87,237) |
| Qualifying Disbursements | <u>(278,389)</u> | <u>(385,870)</u> | <u>0</u> | <u>(664,259)</u> |
| Total | <u>\$ (5,097)</u> | <u>\$ (118,103)</u> | <u>\$ 66,940</u> | <u>\$ (56,260)</u> |
| Cash Balance Carried Forward to FY2002 | <u>\$ (5,097)</u> | <u>\$ 0</u> | <u>\$ 66,940</u> | <u>\$ 0</u> |
| Amount Restricted for Budget Stabilization | | | | <u>\$ 66,940</u> |
| Total Restricted Assets | | | | <u>\$ 66,940</u> |

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

18. FUND DEFICITS

Fund balances at June 30, 2001, included the following individual fund deficits:

| | |
|---------|------------|
| Title I | \$ (4,563) |
|---------|------------|

The fund deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The deficits result from revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

19. SUBSEQUENT EVENTS

On July 29, 2001, the District's Middle School and Deercreek Elementary were damaged by a flood. The District's insurance company has paid \$673,000 to a contractor for damage clean-up. The insurance company has also paid \$278,949 to the District for the replacement of equipment destroyed in the flood and to reimburse the District for rental fees paid to temporarily relocate classrooms

On October 16, 2001, the District issued \$30,000,000 of bonds for the purpose of constructing/improving the District's school buildings.

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LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| Federal Grantor/Pass-Through Entity/Program Title | Pass-Through Entity Number | Federal C.F.D.A. Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|-------------------------------|-------------------------------|------------------|----------------------|------------------|--------------------------|
| U.S. Department of Agriculture | | | | | | |
| <i>Passed through Ohio Department of Education:</i> | | | | | | |
| Child Nutrition Cluster Food Distribution | N/A | 10.550 | \$0 | \$31,230 | \$0 | \$32,602 |
| School Breakfast Program | 05-PU 00 | 10.553 | \$7,751 | 0 | 7,751 | 0 |
| National School Lunch Program | 04-PU 00 | 10.555 | <u>109,909</u> | <u>0</u> | <u>109,909</u> | <u>0</u> |
| Total U.S. Department of Agriculture- Child Nutrition Cluster | | | 117,660 | 31,230 | 117,660 | 32,602 |
| U.S. Department of Education | | | | | | |
| <i>Passed through the Ohio Department of Education:</i> | | | | | | |
| Adult Education State Grant Program | AB-S1 00/01 | 84.002 | 39,877 | 0 | 54,437 | 0 |
| Title I Grants to Local Educational Agencies | C1-S1 00/01 | 84.010 | 369,434 | 0 | 375,111 | 0 |
| Safe and Drug-Free Schools and Communities Grant | DR-S1 00/01 | 84.186 | 15,776 | 0 | 9,133 | 0 |
| Class Size Reduction | CR-S1-00/01 | 84.340 | 57,613 | 0 | 56,168 | 0 |
| Eisenhower Professional Development State Grants | MS-S1 00/01 | 84.281 | 13,959 | 0 | 17,497 | 0 |
| Innovative Educational Program Strategies | C2-S1 00/01 | 84.298 | 12,342 | 0 | 14,673 | 0 |
| Goals 2000 State and Local Education Systemic Improvement Grant | G2-S2 01 | 84.276 | 14,000 | 0 | 15,364 | 0 |
| <i>Special Education Cluster</i> | | | | | | |
| Special Education-Preschool Grant | PG-S1/SC 00 | 84.173 | 14,720 | 0 | 10,441 | 0 |
| Special Education-Grants to States | 6B-SF 99/00 | 84.027 | <u>137,901</u> | <u>0</u> | <u>125,001</u> | <u>0</u> |
| Total Special Education Cluster | | | 152,621 | 0 | 135,442 | 0 |
| Total U.S. Department of Education | | | 675,622 | 0 | 677,825 | 0 |
| Total Federal Financial Assistance | | | <u>\$793,282</u> | <u>\$31,230</u> | <u>\$795,485</u> | <u>\$32,602</u> |

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

FISCAL YEAR ENDED JUNE 30, 2001

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of London City School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 16, 2002.

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

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

JIM PETRO
Auditor of State

January 16, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of London City School District, Madison County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2001-10649-001.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted a certain other matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 16, 2002.

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

JIM PETRO
Auditor of State

January 16, 2002

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

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? | Yes |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | Yes |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster CFDA 10.550/10.553/10.555 Special Education Cluster CFDA 84.027/84.173 |
| (d)(1)(viii) | Dollar Threshold: Type AIB Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

None

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

| | |
|------------------------------------|--|
| Finding Number | 2001-10649-001 |
| CFDA Title and Number | Child Nutrition Cluster 10.550/10.553/10.555 |
| Federal Award Number / Year | 2000 044255 LL-P1 2000 044255 LL-P4 2000/2001 044255 05-PU |
| Federal Agency | United States Department of Agriculture |
| Pass-Through Agency | Ohio Department of Education |

**Reportable Condition
Free/Reduced Lunch Reporting**

At the District's Primary and Deercreek Elementary Schools, tickets are distributed to each student qualifying for free/reduced price lunches each day. When the student receives the lunch, the ticket is then given to the lunchroom cashier. At the end of the day, the free and reduced price lunch tickets are counted and the number is reported for reimbursement. The tickets, however, are not maintained each day to verify the number of free and reduced price lunches reported. At these schools, tally sheets are also used to account for lunch sales. However, the individual students to which free and/or reduced price lunches are served are not always identified on the tally sheet. Without either maintaining the tickets, or identifying on the tally sheets which students were served the free or reduced price lunches, the possibility exists that the District may inaccurately report for reimbursement the number of free and reduced price lunches served.

We recommend the District maintain complete and accurate records of the number of free and reduced price lunches served. For schools utilizing tally sheets, a roster of individual student names to whom free or reduced price lunches were served should be maintained. If the District elects to continue using tickets, the student's name and the date should be written on the ticket and those tickets should be maintained each day. Furthermore, the head cook should review the daily CN-7 report to ensure that the amounts reported agree to the tally sheets and/or the physical tickets.



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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
FEBURARY 19, 2002**